HESSEQUA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2012

I am responsible for the preparation of these annual financial statements, which are set out on pages …... to ….., in terms of Section 126(1) of the Municipal Finance Management Act 56 of 2003 , and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 31 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of the Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

……………………….. ………………………….

J. JACOBS Date

Municipal Manager

HESSEQUA MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

Net Assets and Liabilities	Note	2012	2011
		R	R
ASSETS			
Current Assets		**66,866,202**	**100,006,666**
Inventory	2	790,136	818,150
Non-current Assets held for sale	3	241,500	87,000
Trade receivables from exchange transactions	4	17,188,592	16,448,019
Trade receivables from non-exchange transactions	5	10,984,818	7,697,287
VAT Receivable	6	3,171,706	2,599,594
Bank, Cash and Cash Equivalents	7	9,080	2,102,592
Call Investment deposits	8	34,239,163	70,020,893
Operating Lease Assets	9	239,430	231,489
Current Portion of Long-term Receivables	13	1,777	1,643
Non-Current Assets		**599,042,682**	**550,789,228**
Property, Plant and Equipment	10	555,215,986	506,947,422
Intangible assets	11	352,223	365,556
Investment Property	12	43,450,280	43,450,280
Long-term Receivables	13	24,193	25,970
Total Assets		**665,908,883**	**650,795,894**
LIABILITIES			
Current Liabilities		**68,675,713**	**60,956,107**
Consumer Deposits	14	3,254,337	3,253,353
Provisions	15	9,431,410	7,780,611
Creditors	16	39,914,703	34,727,982
Unspent Conditional Grants and Receipts	17	2,841,463	6,925,194
Operating Lease Liabilities	18	17,784	21,221
Bank Overdraft	7	4,563,987	0
Current Portion of Long-term Liabilities	19	8,652,029	8,247,746
Non-Current Liabilities		**86,187,517**	**92,138,934**
Long-term Liabilities	19	47,717,351	56,356,369
Retirement Benefit Liabilities	20	33,809,679	31,386,837
Non-current Provisions	21	3,077,024	2,851,237
Trust Fund	48	1,583,464	1,544,492
Total Liabilities		**154,863,229**	**153,095,042**
Total Assets and Liabilities		**511,045,654**	**497,700,853**
NET ASSETS		**511,045,654**	**497,700,853**
Statutory Funds	22	53,575	49,838
Accumulated Surplus	23	510,992,080	497,651,015
Total Net Assets		**511,045,654**	**497,700,853**

HESSEQUA MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

Budget 2011 R	Budget 2012 R	Revenue	Note	Actual 2012 R	Actual 2011 R (Restated)
39,956,800	47,564,355	Property Rates	24	47,057,019	42,385,316
97,844,443	134,031,545	Service Charges	25	137,334,715	118,221,495
3,071,318	3,538,703	Rental of facilities and equipment		3,863,733	3,601,877
6,600,000	3,800,000	Interest earned - external investments		3,613,812	3,967,327
1,020,000	1,081,200	Interest earned - outstanding receivables		1,044,955	1,063,350
2,345,900	2,445,650	Fines		2,890,922	2,676,202
164,500	272,500	Licences and permits		210,094	293,514
1,153,100	1,215,300	Income for agency services		1,313,850	1,221,382
135,867,832	74,513,845	Government grants and subsidies (Restated)	26 + 27	74,113,366	56,322,961
4,406,921	2,717,168	Other income	28	3,056,078	5,656,373
21,900,000	1,150,000	Gains on disposal of property, plant and equipment		665,999	3,155,023
0	0	Gain on revaluation of Investment Property		0	357,000
0	0	Recognition of heritage assets		0	8,326,375
314,330,814	272,330,266	**Total Revenue**		275,164,543	247,248,195
		Expenditure			
66,781,182	90,610,573	Employee related costs	29	87,046,137	86,081,393
4,374,598	4,463,845	Remuneration of Councillors	30	4,314,259	4,093,200
2,330,888	2,634,536	Bad debts	31	2,911,770	3,392,909
735,382	953,764	Collection costs		624,805	696,647
14,292,804	16,475,513	Depreciation and amortisation	32	16,792,419	15,815,481
13,609,030	12,509,943	Repairs and maintenance		11,026,408	12,427,346
4,051,482	7,617,435	Interest paid	33	7,631,308	5,601,000
37,459,082	56,268,772	Bulk purchases	34	55,774,701	44,874,237
0	0	Loss on disposal of property, plant and equipment		346,942	133,249
853,935	3,389,000	Contracted services		3,236,164	3,172,254
123,949,768	73,169,607	General expenses	35	72,114,830	64,003,808
268,438,151	268,092,988	**Total Expenditure**		261,819,742	240,291,524
45,892,663	4,237,278	**Surplus/(Deficit) For The Year**		13,344,801	6,956,671

Refer to Appendix E (1) for explanation of variances

HESSEQUA MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED

30 JUNE 2012

	Note	Housing Reserve R	Revaluation Reserve R	Accumulated Surplus/ (Deficit) R	Total R
2011					
Balance at 1 July 2010		**1,869,627**	**0**	**488,947,659**	**490,817,286**
Correction of errors		-1,826,590	0	1,826,590	0
Restated balance at 1 July 2010		**43,037**	**0**	**490,774,249**	**490,817,286**
Surplus for the year				6,956,671	6,956,671
Transfer to Housing Reserve		6,810		-6,810	0
Balance at 30 June 2011		**49,847**	**0**	**497,724,110**	**497,773,957**
Correction of error	**48.2**	0	0	-73,095	-73,095
Restated balance 30/6/2011		**49,847**	**0**	**497,651,015**	**497,700,862**
Surplus for the year				13,344,801	13,344,801
Transfer from Housing Reserve		3,736		-3,736	0
Balance at 30 June 2012		**53,583**	**0**	**510,992,080**	**511,045,663**

HESSEQUA MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

Cash Flow from Operating Activities	Note	2012 R	2011 R
Cash receipts from ratepayers, government and other		265,811,674	220,239,454
Cash payments to suppliers and employees		-234,839,383	-194,804,967
Cash generated from/(utilised in) operations	**37**	**30,972,290**	**25,434,487**
Interest received		4,658,766	5,030,678
Interest paid	33	-7,631,308	-5,601,000
Net Cash from Operating Activities		**27,999,749**	**24,864,165**
Cash flows from Investing Activities			
Purchase of property, plant and equipment	10	-65,627,791	-43,144,420
Sale of property, plant and equipment		899,199	3,156,881
Increase in Non-Current assets held for sale		-154,500	0
(Increase)/decrease in non-current receivables		1,643	1,519
Decrease/(increase) in operating lease assets		-7,941	-9,849
Net Cash flows from Investing Activities		**-64,889,391**	**-39,995,869**
Cash flows from Financing Activities			
New loans raised/(repaid)		-8,234,735	16,682,327
Increase in consumer deposits		984	133,832
Increase in Trust Funds		38,972	23,076
Retirement Benefit Liabilities		2,422,842	9,105,927
Non-current Provisions		225,787	450,371
Decrease in operating lease liabilities		-3,437	-37,451
Net Cash from Financing Activities		**-5,549,587**	**26,358,081**
Net Increase / (decrease) in Cash and Cash Equivalents		**-42,439,229**	**11,226,377**
Cash and cash equivalents at the beginning of the year		**72,123,485**	**60,897,108**
Cash and cash equivalents at the end of the year	36	**29,684,256**	**72,123,485**

The Municipality applied for a loan of R25 mil before year end for bridging finance provided by the Municipality for capital expenses incurred during the year under review. The loan was approved and received after year end, which will significantly improved the cash flow position of the Municipality.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and is in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2011 and 30 June 2012 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only in the following instances, where it:
(a) is required by a Standard of GRAP; or
(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity’s financial position, financial performance or cash flows.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality’s Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2 2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on *Financial Assets Classification* and Accounting Policy 6.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in IAS 32: *Financial Instruments - Presentation* and IAS 39: *Financial Instruments - Recognition and Measurement* .

1. 2 3 Impairment of Financial Assets

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: *Financial Instruments - Recognition and Measurement* , and used its judgement to select a variety of methods and made assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

• Impairment of trade receivables
The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1. 2 4 Useful lives of Property, Plant and Equipment

As described in Accounting Policies 3.3, 4 and 5 the municipality depreciates/ amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1. 2 5 Impairment: Write down of Property, Plant and Equipment and Inventories

Accounting Policy 3.9 on *PPE - Impairment of assets* and Accounting Policy 4.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 8.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 17: *Property, Plant and Equipment* , GRAP 12: *Inventory* and GRAP 102: *Intangible assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgement by management.*

1. 2 6 Defined Benefit Plan Liabilities

As described in Accounting Policy 13, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations, and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 20 and 21 of the Annual Financial Statements.

1. BASIS OF PRESENTATION (continued)

1. 2 7 Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes, 14 and 20 respectively. Provisions are discounted where the effect of discounting is material, using actuarial valuations.

1. 2 8 Water Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water after the depth of water in the reservoirs has been determined, which is then converted into volumes based on the total capacity of the reservoir. Refer to Note 10 of the accounting policy notes to the Annual Financial Statements.

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

1. 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 25 Employee Benefits - issued December 2009
GRAP 26 Impairment of Cash-generating Assets - issued March 2009
GRAP 103 Heritage Assets - issued July 2008
GRAP 104 Financial Instruments - October 2009
GRAP 105 Transfers between entities under common control - issued November 2010
GRAP 106 Transfers between entities not under common control - issued November 2010
GRAP 107 Mergers - issued November 2010

The Minister of Finance announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 will be effective for the period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of the International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:
Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)
Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)
Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)
Financial Instruments (GRAP 104 Financial Instruments - October 2009)

GRAP 18 - Segment Reporting
Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management. Segment information presented is either based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to management of the entity. The precise impact of this on the financial statements of the Municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting standard. This standard does not yet have an effective date.

GRAP 20 – Related party disclosures
The effective date of the standard has not been determined yet. The standard of GRAP on related parties will replace the IPSAS 20 standard on related party disclosure currently used. No significant impact on the financial statements of the Municipality is expected.

GRAP 21 – Impairment of Non-Cash Generating Assets
This standard becomes effective for years beginning on or after 1 April 2012 and will only be formally adopted on that date. It determines the requirements and provides additional guidance on how to impair non-cash generating assets, being assets that are not held to generate any sort of commercial benefit. In particular, it provides guidance on how to determine an asset's recoverable service amount in the absence of any future cash flows. The Municipality has considered the principles set by this standard in developing its general asset impairment policy and therefore does not expect any significant changes in how assets will be accounted for or disclosed when the standard becomes effective.

GRAP 23 – Revenue from Non-Exchange Transactions
This standard becomes effective for years beginning on or after 1 April 2012 and will only be formally adopted on that date. It determines the requirements and provides additional guidance on how to account for revenue from non-exchange transactions. In particular, it requires the entity to recognise revenue from grants received, to the extent that there are no further conditions attached to the grant that give rise to an obligation to repay. Most of the grants received by the Municipality are conditional grants and revenue is currently only recognised when the conditions associated with the respective grants are met and therefore it is not expected to have a significant impact on the financial statements when it becomes effective.

GRAP 24 – Presentation of Budget Information in the Annual Financial Statements
This standard becomes effective for years beginning on or after 1 April 2012. It determines the specific requirements and provides additional guidance on how to present a comparison between budgeted and actual amounts in the financial statements, as required by GRAP 1. This is expected to add significantly to the level of disclosures currently being provided.

GRAP 25 – Employee Benefits
This standard prescribes similar requirements to those in terms of IAS 19: Employee Benefits. Since IAS 19 has been applied in developing the current accounting policy, no significant impact on the financial statements of the Municipality is expected. This standard does not yet have an effective date.

GRAP 26 – Impairment of cash-generating assets
This standard becomes effective for years beginning on or after 1 April 2012 and will not be early adopted. It determines the requirements and provides additional guidance on how to impair cash generating assets, being assets that are expected to generate a commercial benefit. The standard requires a similar treatment to that currently required by IAS 36, the principles of which have already been incorporated into the accounting policies of the Municipality in the prior year. As a result, the impact of this standard becoming effective is expected to be limited.

GRAP 103 – Heritage Assets
This standard becomes effective for periods beginning on or after 1 April 2012 and has not been early adopted. It determines requirements for accounting for heritage assets. Heritage assets are defined as assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. The Municipality currently recognises all its heritage assets at cost and includes heritage assets with property, plant and equipment. The key impact of GRAP 103 will therefore only be changes in disclosures.

GRAP 104 – Financial Instruments
This standard will introduce some relatively significant changes when compared to IAS 39, especially in the way financial assets are classified and treated. The key principles established by this standard have already been utilised to develop appropriate accounting policies for accounting for financial instruments and therefore it is not expected to have a significant impact on the financial statements when it becomes effective (refer accounting policy Note 8). This standard becomes effective for periods beginning on or after 1 April 2012 and has not been early adopted.

GRAP 105 – Transfer of Function Between Entities Under common Control
This standard provides the accounting treatment for transfers of functions between entities under common control. However the impact on the Municipality's financial statements is not expected to be significant due to the fact that the Municipality rarely enters into such transactions. The standard is only expected to have an impact on the Municipality in respect of any future transfers of functions. This standard does not yet have an effective date.

GRAP 106 – Transfer of Function Between Entities Not Under common Control
This standard deals with other transfers of functions (i.e. between entities not under common control) and requires the entity to measure transferred assets and liabilities at fair value. It is unlikely that the Municipality will enter into any such transactions in the near future. This standard does not yet have an effective date.

GRAP 107 – Mergers
This standard deals with requirements for accounting for a merger between two or more entities, and is unlikely to have an impact on the financial statements of the Municipality in the foreseeable future. This standard does not yet have an effective date.

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. ACCUMULATED SURPLUS

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

2. 1 Housing development fund/Housing operating account

Sections 15(5) and 16 of the Housing Act, (Act No. 107 of 1997), which came into operation on 1 April 1998, required that the Entity maintains a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.
The following provisions are set for the creation and utilisation of the Housing Development Fund:
• The Housing Development Fund is cash-backed, and invested in accordance with the investment policy of the Entity.
• The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the MEC for Human Settlements.
• Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
• Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

2. ACCUMULATED SURPLUS (Continued)

2. 2 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/ (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/ (deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance. During the year under review, the Municipality changed it's accounting policy with regards to Land and Buildings and accordingly, the reserve has been written back to the accumulated surplus. Refer to note 48.2

2. 3 Trust Funds

The following trust funds exist in the municipality:

2. 3 1 *Development Fund for the Maintenance and Operation of Nature Areas in Still Bay*

This fund was established in terms of section 76.2 of the Municipal Ordinance, 1974 (Ordinance 20 of 1974) with the sanction of the Premier on 14 August 1998.

2. 3 2 *Elsje Koorts Tuberculosis Fund*

This fund was established in terms of clause 4 of the last will and testament of the late Elsje Koorts, and states inter alia that “the remainder of my estate will be used for the treatment of tuberculosis cases in Riversdale…”

These funds are invested in a ring fenced investment account.
(See separate Financial Statements disclosed in the Annual Financial Statements)

3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used for more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment is initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently property plant and equipment, including Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset, and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

	Years		Years
Infrastructure		***Buildings***	*5 - 50*
Roads and Paving	10 - 100		
Electricity	8 - 57	***Other***	
Water	8 - 100	Emergency equipment	2 - 30
Sewerage	7 - 100	Plant and equipment	1 - 20
Landfill Sites	10 - 36	Motor vehicles	4 - 23
		Office equipment	1 - 23
Community		Security equipment	5
Recreational Facilities	6 - 147		
Security	0		

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. 6 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives. The Municipality assess at each reporting date if there is an indication of impairment. Subsequent to measurement, heritage assets are carried at cost less impairment losses.

3. 7 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

3. 8 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3. 9 Housing Development Fund Assets

The Housing Development Fund contains letting schemes that is included in Council's Property Plant and Equipment. All surpluses generated from the letting schemes are transferred to the Housing Development Fund.

3. 10 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds and is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

3. 11 Impairment of assets

3. 11. 1 Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 11. 1 Impairment of Cash generating assets (Continued)

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at a revalued amount, reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

▪ to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss, does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

3. 11. 2 Impairment of Non-Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Transitional provisions

The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2012 (and applied retrospectively where practicable), and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3 and ASB Directive 4.

4. INTANGIBLE ASSETS

4. 1 Initial Recognition

Identifiable non–monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with IPSAS 21/ IAS 36.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

4. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be 30 years. The residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are tested annually for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

4. INTANGIBLE ASSETS (continued)

4. 3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Transitional provisions

The fair values of intangible assets recognised in terms of GRAP 102 have been disclosed for the financial year ended 30 June 2012 (and retrospectively where practicable) in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 4.

5. INVESTMENT PROPERTY

5. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria has been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (inter alia) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

5. INVESTMENT PROPERTY (continued)

5. 2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined annually by external valuers at the reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

5. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal

5. 4 Transitional Provisions

The fair values of investment properties recognised in terms of GRAP 16 have been disclosed for the financial year ended 30 June 2012 (and retrospectively where practicable) in accordance with the requirements of GRAP 16, GRAP 3 and ASB Directive 4.

6. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual agreement . The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised in the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exists; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs

The effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

6. FINANCIAL INSTRUMENTS (continued)

6. 1 Financial Assets - Classification

A financial asset is any asset that represents cash or contractual right to receive cash.

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows into the four categories allowed by this standard:

Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial assets at fair value through profit and loss

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	**Classification in terms of IAS 39.09**
Short-term Investment Deposits – Call	Held-to-maturity investments
Bank Balances and Cash	Loans and receivables
Finance Lease Receivables	Loans and receivables
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held-to-maturity investments

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

6. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Certain Other Creditors (see note 9)
- Bank Overdraft
- Short-term loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

There are three main categories of *Financial Liabilities* , the classification determining how they are measured. Financial liabilities may be measured at:

(i) Fair value through profit or loss; or
(ii) Other financial liabilities (Financial liabilities measured at amortised cost)
(iii) Financial guarantee contract

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives)

Any other financial liabilities are classified as "Other financial liabilities" in accordance with IAS 39.09

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

FINANCIAL INSTRUMENTS (continued)

6. 3 Initial and Subsequent Measurement

6. 3. 1 Financial Assets:

Held-to-maturity Investments are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis. .

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to group entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as loans and receivables.

Available-for-Sale Financial Assets are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

6. 3. 2 Financial Liabilities:

Financial liabilities

Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded as the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

Financial guarantee contract

Financial guarantee contracts represent contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when they are contractually due.

Financial guarantee contract liabilities are initially measured at fair value.
The subsequent measurement of financial guarantee contracts is the higher of the amount determined in accordance with the policy on provisions as set out below, or the amount initially recognised less appropriate cumulative amortisation.

6. 4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

6. FINANCIAL INSTRUMENTS (continued)

6. 4 Impairment of Financial Assets (continued)

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in net assets shall be removed and recognised in the Statement of Financial Performance even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from net assets and recognised in the Statement of Financial Performance is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in Statement of Financial Performance.

Impairment losses recognised in the Statement of Financial Performance for an investment in an equity instrument classified as available-for-sale are not reversed through the Statement of Financial Performance.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss is recognised in the Statement of Financial Performance, the impairment loss must be reversed, with the amount of the reversal recognised in the Statement of Financial Performance.

Financial assets carried at amortised cost

Accounts receivable encompassess long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with IAS 39.64 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised.

6. 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially, all the risks and rewards of ownership, and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

FINANCIAL INSTRUMENTS (continued)

6. 6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

7. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its use of financial instruments:
- credit risk
- liquidity risk
- market risk

Risks and exposure are disclosed as follows:

Market Risk

- Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Municipality’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.
- The maximum exposure to cashflow and fair value risk, price risk and foreign currency risk.
- Sensitivity analysis for each of the market risks

Credit Risk

- Credit risk is the risk of financial loss to the Municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Municipality’s receivables from customers.
- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

Liquidity Risk

- Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality’s reputation.
- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 51.8 to the annual financial statements.

8. INVENTORIES

8. 1 Initial Recognition

Inventories comprise current assets held for sale and current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also includes a proportion of overhead costs.

8. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date, comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the **FIFO** method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Transitional provisions

The net realisable value of inventory recognised in terms of GRAP 12 have been disclosed for the financial year ended 30 June 2012 in accordance with the requirements of GRAP 12, GRAP 3 and ASB Directive 4.

9. NON-CURRENT ASSETS HELD-FOR-SALE

9. 1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

9. 2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

10. REVENUE RECOGNITION

10. 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximate equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

10. REVENUE RECOGNITION

10. 2 Revenue from Exchange Transactions

10. 2. 1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10. 2. 2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards is recognised at the point of sale and if payment is made five days before year end it's recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

10. 2. 3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:
▪ Interest earned on trust funds is allocated directly to the fund.
▪ Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

10. 2. 4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

10. 2. 5 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

10. 2. 6 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

10. REVENUE RECOGNITION (continued)

10. 2 Revenue from Exchange Transactions (continued)

10. 2. 7 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

10. 2. 8 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

10. 2. 9 Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

10. 3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.
A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

10. 3. 1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10. 3. 2 Fines

Fines constitute both spot fines and summonses for which revenue is recognised when payment is received, together with management's best estimate of the probable inflows from the amounts not yet collected.

10. 3. 3 Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or, where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

10. 3. 4 Other Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

10. 3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

11. CONDITIONAL GRANTS AND RECEIPTS

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Government grants and conditional receipts are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

12. PROVISIONS

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Provision for Restructuring cost

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken;
- when the plan will be implemented; and;

(b)

The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

13. EMPLOYEE BENEFITS

13. 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13. 2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

13. 2 1 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality’s contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13. 3 Defined Benefit Plans

A **defined benefit plan** is a post- employment benefit plan other than a defined contribution plan.

13. 3. 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every two years by independent qualified actuaries.

The municipality recognises actuarial gains and losses in full in the period in which they occur.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

13. 3. 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality’s liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

13. EMPLOYEE BENEFITS (continued)

13. 3. 3 Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 42 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triannually on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

13. 3. 4 Defined benefit pension plans

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The municipality recognises actuarial gains and losses in full in the period in which they occur. Actuarial valuations are performed every two years.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

14. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

14. 1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

14. LEASES (continued)

14. 1 The Municipality as Lessee (continued)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14. 2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

14. 3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

15. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2012 in accordance with the requirements of GRAP 5 and ASB Directive 4.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

The municipality ceases to capitalise borrowing costs when substantially all the activities necassarry to prepare the qualifilyiing assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

16. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

17. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 48 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

24. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

25. COMPARATIVE INFORMATION

25. 1 Current year comparatives:

Budgeted amounts have, in accordance with GRAP 1, been provided in an annexure to these financial statements and forms part of the audited Annual Financial Statements.

25. 2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

26. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.
A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

27. COMMITMENTS

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:
▪ Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
▪ Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
▪ Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
▪ Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
▪ Other commitments for contracts can be non-cancellable or only cancellable if significant cost contracts should relate to something other than the business of the municipality

28. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

1. GENERAL INFORMATION

Hessequa Municipality (the municipality) is a local government institution in Riversdale, Western Cape. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Constitution.

The municipality adopted a phased-in approach in order to comply fully with the implementation of GRAP. The municipality is classified by the National Treasury as a medium capacity municipality and must comply with GRAP by 30 June 2009. The municipality, however, took advantage of the transitional provisions in Directive 4 from the Accounting Standards Board and is fully compliant with GRAP as at 30 June 2012.

2. INVENTORY

	2012 R	2011 R
2.1 Stores, water and paving		
Stilbaai Store - at cost	484,926	495,855
Store Heidelberg - Electrical - at cost	77,138	35,979
Public Works - Heidelberg - at cost	12,420	5,117
Waterworks - Heidelberg - at cost	25,637	37,569
Water Inventory - at cost	164,351	218,378
	764,472	792,898
2.2 Other		
Stilbaai Books	662	374
Refuse Bins	592	740
Refuse Bags - Jongensfontein	108	378
Hessequa Book: Riversdal Tourism	6,245	6,245
Albertinia Municipal Office	1,358	1,358
Slangrivier - Office	679	679
Stilbaai - Office	1,086	1,086
Gouritsmond Tourism	10,726	10,726
Stilbaai Tourism	272	272
Witsand - Office	950	950
Heidelberg - Office	1,358	1,358
Mayoral Office	1,629	1,086
Total	**790,136**	**818,150**

Water Inventory

The Municipality also has raw, untreated water in stock in the Olive Grove Dam of about 434 500 cubic meters. In its present form, this water stock cannot be sold and needs to be purified and therefore, it's fair value has been estimated at the direct cost of the department less cost of chemicals, divided by the kiloliters sold.

Inventories are held for own use with the result that no write downs of Inventory to Net Realisable Value was required.

No Inventories have been pledged as collateral for Liabilities of the municipality.

The cost of Inventories recognised as an expense during the period was R585,356 (2011: R574,960).

3. NON-CURRENT ASSETS HELD-FOR-SALE

	2012 R	2011 R
Property held-for-sale at beginning of year as restated	87,000	150,500
Correction of errors	0	-63,500
Transfers from PPE	224,000	0
Less: Impairment	-69,500	0
Total assets classified as held-for-sale	241,500	87,000

The municipality intends to dispose of parcels of land it no longer utilises within the next 12 months. Test for impairment loss was done and recognised where applicable.

4. Trade receivables from exchange transactions

	30 June 2011			30 June 2012		
	Gross Balance	Provision for Bad Debts	Net Balance	Gross Balance	Provision for Bad Debts	Net Balance
Service Debtors:						
Electricity	9,092,284	1,955,042	7,137,241	10,756,713	2,868,609	7,888,104
Water	3,934,309	845,964	3,088,345	4,587,441	1,223,382	3,364,059
Sewerage	3,519,150	756,695	2,762,455	3,535,802	942,930	2,592,872
Waste Management	2,078,469	446,917	1,631,552	1,916,290	511,038	1,405,252
Housing Rental/Selling Schemes	1,704	366	1,338	1,704	454	1,250
Other	2,327,567	500,478	1,827,088	2,641,490	704,435	1,937,055
	20,953,482	**4,505,463**	**16,448,019**	**23,439,440**	**6,250,848**	**17,188,592**

Ageing of consumer debtors

	2012 R	2011 R
Electricity, Water, Waste Management & Sewerage		
Current (0 - 30days)	11,111,350	9,395,771
Past due		
31 - 60 days	1,916,185	1,829,659
60 days +	663,661	772,303
90 days +	7,105,070	6,626,478
Total	**20,796,266**	**18,624,212**
Other		
Current (0 - 30days)	433,150	294,067
Past due		
31 - 60 days	264,977	182,272
60 days +	149,743	98,115
90 days +	1,793,600	1,753,113
Total	**2,641,470**	**2,327,567**
Housing rentals		
Current (0 - 30days)	0	0
Past due		
31 - 60 days	0	0
60 days +	0	0
90 days +	1,704	1,704
Total	**1,704**	**1,704**

The average credit period for Consumer Debtors is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged on the outstanding balance at prime plus 1%. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer Debtors.

Summary of Debtors by Customer Classification

The summary of assessment Rates of Debtors by Customer Classification is included in the summary below. A separate summary of assessment rates could not be provided as separate amounts are not available.

	Domestic R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2012				
Current:				
0 - 30 days	8,892,156	2,105,902	379,750	166,670
Past Due:				
31 - 60 Days	1,728,074	388,436	28,743	35,907
61 - 90 Days	666,498	114,189	6,446	26,271
+ 90 Days	7,527,861	520,455	114,858	737,224
Sub-total	**18,814,589**	**3,128,982**	**529,797**	**966,072**
Less: Provision for Impairment	-5,133,521	-853,736	0	-263,591
Total Debtors by Customer Classification	**13,681,068**	**2,275,246**	**529,797**	**702,481**

4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

Summary of Debtors by Customer Classification

	Domestic R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2011				
Current:				
0 - 30 days	7,795,171	1,610,889	273,410	10,368
Past Due:				
31 - 60 Days	1,573,992	298,061	135,008	4,870
61 - 90 Days	744,616	106,905	15,430	3,467
+ 90 Days	7,580,029	632,796	119,702	48,768
Sub-total	**17,693,808**	**2,648,651**	**543,550**	**67,473**
Less: Provision for Impairment	-3,779,520	-707,909	**0**	**-18,034**
Total Debtors by Customer Classification	**13,914,288**	**1,940,742**	**543,550**	**49,439**

Reconciliation of the provision for impairment

	2012 R	2011 R
Balance at beginning of year	7,181,954	6,271,199
Impairment Losses recognised	3,716,589	3,392,909
Amounts written off as uncollectable	-1,968,759	-2,482,154
Balance at end of year	8,929,783	7,181,954

In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date, and places strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provision required in excess of the Provision for Impairment.

Provision for impairment of Consumer Debtors have been made by an assessment of each individual debtors account. Assumptions regarding recoverability were made based on investigations of all consumer balances outstanding.

The average credit period for government grants and subsidies is dependant on the Government Department involved and the nature of claims. No interest is charged on outstanding government grants and subsidies. The subsidies are payable to the municipality per allocations made in the Division of Revenue Act or based on agreements between the municipality and the relevant departments. Government grants and Subsidies receivable are past due and not impaired as management has no concern over the credit quality of these assets

At 30 June 2012 consumer debtors of R5,644,092 (2011: R 9,960,544) were past due but not impaired. The age analysis of these consumer debtors is as follows:

	2012 R	2011 R
31 - 60 Days	2,181,162	1,780,710
61 - 90 Days	813,404	771,456
91 Days +	2,649,526	7,408,378
Total	5,644,092	9,960,544

No discounting calculation has been considered on the outstanding arrangements due to the fact that the provision for bad debts on these accounts are considered to be adequate to ensure that these balances are disclosed at fair value.

5. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2012 R	2011 R Restated
Assessment rates debtors	10,680,501	9,900,738
Insurance claims	20,469	25,426
Government subsidies	2,283,214	0
Prepaid Expenses	15,915	15,915
Employees PAYE & Salary control	15,493	19,970
Other	648,161	411,728
	13,663,753	10,373,778
Less: Provision for Impairment	-2,678,935	-2,676,491
Total Trade Receivables from non-exchange transactions	**10,984,818**	**7,697,287**

5. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS - (continued)

The average credit period for **Other Debtors,** excluding Assessment rate debtors, is 30 days. No interest is charged on other debtors. Interest is charged at prime plus 1% on all overdue assessment rates.

The claims instituted against the Municipality's insurance company are supported by valid insurance claims which are claimable in terms of the insurance contract entered into by the Municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

Management of the municipality is of the opinion that the carrying value of Other Debtors approximate their fair values.

Ageing of trade receivables from non-exchange transaction

	2012 R	2011 R
Rates Ageing		
Current (0 - 30days)	3,624,641	3,246,682
Past due		
31 - 60 days	1,588,874	770,540
60 days +	385,061	410,044
90 days +	5,081,925	5,473,472
Total	**10,680,501**	**9,900,738**

Summary of Debtors by Customer Classification

	Domestic R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2012				
Current:				
0 - 30 days	3,436,211	179,534	3,119	5,777
Past Due:				
31 - 60 Days	1,514,790	59,310	13,402	1,372
61 - 90 Days	359,912	18,580	6,218	351
+ 90 Days	4,459,819	152,473	152,689	316,944
Sub-total	**9,770,732**	**409,897**	**175,428**	**324,444**
Less: Provision for Impairment	-2,491,668	-104,529	0	-82,738
Total Debtors by Customer Classification	**7,279,064**	**305,368**	**175,428**	**241,706**
As at 30 June 2011				
Current:				
0 - 30 days	3,080,662	149,089	14,855	2,076
Past Due:				
31 - 60 Days	701,777	40,305	26,837	1,622
61 - 90 Days	376,453	23,282	8,700	1,609
+ 90 Days	4,858,941	144,504	454,097	15,928
Sub-total	**9,017,833**	**357,180**	**504,489**	**21,235**
Less: Provision for Impairment	-2,560,795	-109,203	0	-6,492
Total Debtors by Customer Classification	**6,457,038**	**247,977**	**504,489**	**14,743**

6. VAT

	2012 R	2011 R
VAT payable	-1,846,305	-2,218,841
VAT receivable	5,018,010	4,818,435
Net VAT payable/(receivable)	**3,171,706**	**2,599,594**

VAT is payable on the receipt basis. Once payment is received from debtors VAT is paid over to SARS. The Vat amount on outstanding debtors amounts to R2,392,986 (2011: R2,218,841) at year end.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies.

7. BANK AND CASH

	2012 R	2011 R
Bank, Cash and Cash Equivalents	9,080	6,080
Bank balance	0	2,096,512
Bank overdraft	-4,563,987	0
Total Bank, Cash and Cash Equivalents	**-4,554,907**	**2,102,592**

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

7. BANK AND CASH - (continued)

	2012 R	2011 R
Primary Bank Account		
First National Bank - Riversdale Branch Code 200313		
Account Number 53571024174		
Cheque Account		
Cash book balance at beginning of year	**1,886,831**	**-1,557,361**
Cash book balance at end of year	**-4,589,452**	**1,886,831**
Bank statement balance at beginning of year	**5,543,538**	**16,877,372**
Bank statement balance at end of year	**3,917,150**	**5,543,538**
Current Account		
First National Bank - Riversdale Branch Code 200313		
Account Number 62225917543		
Cheque Account		
Cash book balance at beginning of year	**209,681**	**8,857**
Cash book balance at end of year	**25,466**	**209,681**
Bank statement balance at beginning of year	**209,531**	**8,857**
Bank statement balance at end of year	**25,466**	**209,531**

The management of the municipality is of the opinion that the carrying value of Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

8. INVESTMENTS

	2012	2011
Financial Instruments		
- Short term investments	34,239,163	70,020,893
Total	**34,239,163**	**70,020,893**
Summary of Investments		
Sanlam	34,207,941	0
FNB	31,222	4,706,766
Standard Bank	0	20,156,846
Investec	0	30,093,041
Nedbank	0	15,064,240
	34,239,163	**70,020,893**
Allocations of investments		
- Repayment of Long-term Liabilities as set out in Note 19	8,652,029	8,247,746
- Attributable to Unspent Conditional Grants as set out in Note 17	2,841,464	6,925,194
- Attributable to Housing Reserve as set out in Note 22	53,575	49,838
- Attributable to Trust Funds - see note 48	1,583,464	1,544,492
- Available for Operational Account	21,108,632	53,253,622
	34,239,163	**70,020,893**

Short term investment Deposits expired during the year and were invested in Sanlam investment portfolio's. The portfolio statement at 30 June 2012 indicates a market movement of R10 654. This adjustment was not done due to the immateriality of the amount involved. The investments have a maturity period of less than 3 months and earn interest varying from 5.5% to 6.63%.

The management of the Municipality is of the opinion that the carrying value of Short-term investment Deposits recorded at amortised cost in the Annual Financial Statements approximate their fair value.

The fair value of Short-term Investment Deposits was determined after considering the standard terms and conditions of agreements entered into between the Municipality and financial institutions.

9. OPERATING LEASE ASSETS

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

	2012	2011
Balance at beginning of year	231,488.63	221,640
Operating Lease expenses recorded	-982,578.35	-455,967
Operating Lease payments effected	990,519.78	465,816
Total Operating Lease Assets as restated	239,430.06	231,489

9. OPERATING LEASE ASSETS - (continued)

9.1 Leasing arrangements

Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 25 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

9.2 Amounts receivable under Operating Leases

At the Reporting Date the following lease receipts were receivable under Operating Leases, at variable periods, for Property, Plant and Equipment, which are receivable as follows:

	2012 R	2011 R
Up to 1 year	1,006,436	806,501
2 to 5 years	2,234,056	1,477,033
More than 5 years	96,969	111,590
Total Operating Lease Arrangements	**3,337,461**	**2,395,125**

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been a decreas in current year income of R7 941 (2011: R9 849).

10. PROPERTY, PLANT AND EQUIPMENT

30 June 2012

Reconciliation of Carrying Value

Description	Land and Buildings	Infrastructure	Community	Heritage	Other	Total
Carrying values at 1 July 2011 - As restated	**259,433,642**	**208,477,434**	**10,404,097**	**8,331,875**	**20,300,374**	**506,947,422**
Cost	**266,782,201**	**250,190,372**	**14,966,875**	**8,331,875**	**34,581,720**	**574,853,043**
- Completed Assets	266,782,201	230,485,601	14,764,396	8,331,875	34,581,720	554,945,793
- Under Construction	0	19,704,771	202,479	0	0	19,907,250
Accumulated Depreciation:	**7,348,559**	**41,712,938**	**4,562,778**	**0**	**14,281,346**	**67,905,621**
- Cost	7,348,559	41,712,938	4,562,778	0	14,281,346	67,905,621
- Revaluation	0	0	0	0	0	0
Transfer of cost	-264,000	0	0	0	0	-264,000
Disposals	-38,700	-61,573	0	0	-1,086,572	-1,186,845
Depreciation on disposals	0	34,254	0	0	766,949	801,203
Total acquisitions	**2,001,192**	**56,839,334**	**1,096,425**	**0**	**5,690,839**	**65,627,791**
Acquisitions	1,751,235	51,185,884	1,096,425	0	5,690,839	59,724,384
Capital under Construction - Additions	249,957	5,653,450	0	0	0	5,903,407
Depreciation:	**3,942,551**	**7,539,249**	**797,318**	**0**	**4,430,467**	**16,709,586**
- Based on cost	3,942,551	7,539,249	797,318	0	4,430,467	16,709,586
- Based on revaluation	0	0	0	0	0	0
CARRYING VALUES AT 30 JUNE 2012	**257,189,583**	**257,750,200**	**10,703,204**	**8,331,875**	**21,241,124**	**555,215,986**
Cost	**268,480,693**	**306,968,133**	**16,063,300**	**8,331,875**	**39,185,988**	**644,933,396**
- Completed Assets	268,230,736	301,314,683	16,063,300	8,331,875	39,185,988	639,029,989
- Under Construction	249,957	5,653,450	0			5,903,407
Transfer	0	0	0	0	0	0
Accumulated Depreciation:	**11,291,110**	**49,217,933**	**5,360,096**	**0**	**17,944,863**	**83,814,003**
- Cost	11,291,110	49,217,933	5,360,096	0	17,944,863	83,814,003
- Revaluation	0	0	0	0	0	0

10. PROPERTY, PLANT AND EQUIPMENT (continued)

30 June 2011

Reconciliation of Carrying Value

Description	Land and Buildings	Infrastructure	Community	Heritage	Other	Total
Carrying values at 1 July 2010	**260,442,689**	**179,240,637**	**11,011,328**	**5,500**	**19,361,135**	**470,061,289**
Cost	**263,972,225**	**213,733,432**	**14,764,396**	**5,500**	**29,938,074**	**522,413,627**
- Completed Assets	263,972,225	206,114,389	14,387,724	5,500	30,084,253	514,564,091
- Under construction	0	7,619,043	376,672	0	0	7,995,715
- Correction of error	0	0	0	0	-146,179	-146,179
Accumulated Depreciation:	**3,529,536**	**34,492,795**	**3,753,068**	**0**	**10,576,939**	**52,352,338**
- Cost	3,529,536	34,492,795	3,753,068	0	10,648,166	52,423,565
- Correction of error	0	0	0	0	-71,227	-71,227
Transfer of cost	-118,752	0	0	0	0	-118,752
Disposals / Written off	0	0	0	0	-159,599	-159,599
Depreciation on disposals	0	0	0	0	131,349	131,349
Total acquisitions	**2,928,728**	**35,282,696**	**202,479**	**0**	**4,730,517**	**43,144,420**
Acquisitions	2,928,728	15,577,925	0	0	4,730,517	23,237,170
Capital under Construction - Additions	0	19,704,771	202,479	0	0	19,907,250
Fair Value recognition	0	1,174,244	0	8,326,375	72,728	9,573,347
Depreciation:	**3,819,023**	**7,220,143**	**809,710**	**0**	**3,835,756**	**15,684,632**
- Based on cost as restated	3,819,023	7,220,143	809,710	0	3,774,272	15,623,148
- Correction of error	0	0	0	0	61,484	61,484
CARRYING VALUES AT 30 JUNE 2011	259,433,642	208,477,434	10,404,097	8,331,875	20,300,374	506,947,422
Cost	**266,782,201**	**250,190,372**	**14,966,875**	**8,331,875**	**34,581,720**	**574,853,043**
- Completed Assets	266,782,201	230,485,601	14,764,396	8,331,875	34,581,720	554,945,793
- Under Construction	0	19,704,771	202,479	0	0	19,907,250
Accumulated Impairment Losses	0	0	0	0	0	0
Accumulated Depreciation:	**7,348,559**	**41,712,938**	**4,562,778**	**0**	**14,281,346**	**67,905,621**
- Cost	7,348,559	41,712,938	4,562,778	0	14,281,346	67,905,621
- Revaluation	0	0	0	0	0	0

The Municipality has taken advantage of ASB Directive 4 par 75 and 78, which states that certain classes of property, plant and equipment may not be recognised and measured in accordance with the Standard of GRAP on Property, Plant and Equipment in individual entities' financial statements. During the 2012 financial year those items of Property, Plant and Equipment which have not previously been unbundled, were componetised which resulted in the reclassification and restatement of comparative amounts.

The following properties were identified to be sold, but there is no resolution, and no specific time frame has been approved. The conditions in GRAP 100 have not been met and therefore these properties were not disclosed as Non-current Assets Held for Sale.

Erf number	Asset number	Book Value R
Erf 522, Stilbaai	20522100	565,736
Erf 569, Stilbaai	30569111	2,011,196
Erf 1955, Heidelberg	601955	785,997
Erf 915, Heidelberg	600915	1,505,667
Erf 145, Heidelberg	600433	614,650
		5,483,246

10.1 Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

	2012 R	2011 R
Infrastructure	0	1,977,454
Other	0	0
Carrying Value of PPE fully depreciated and still in use	0	1,977,454

Property, Plant and Equipment per Cash Flow Statement:

	2012 R	2011 R
- Total Additions as per Appendix "B"	65,627,791	43,144,420
	65,627,791	**43,144,420**

10.2 Impairment of Property, Plant and Equipment

The Municipality carried out a review of the recoverable amount of all its Assets.

<u>Heritage Assets</u>

	2012 R	2011 R
Heritage assets have been valued by an expert artifact and arts valuer by taking into account the intrinsic value as well as the cultural significance of the specified items	**8,331,875**	**8,331,875**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012	2012 R	2011 R
11 INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	352,223	365,556
The movement in Intangible Assets is reconciled as follows:		
Carrying value at 1 July 2011	365,556	378,889
Cost	400,000	400,000
Accumulated Amortisation	-34,444	-21,111
Acquisitions during the Year:	0	0
Amortisation during the Year:	-13,333	-13,333
Carrying value at 30 June 2012	352,223	365,556
Cost	400,000	400,000
Accumulated Amortisation	-47,777	-34,444

Significant intangible Assets that did not meet the recognition criteria for Intangible Assets as stipulated in IAS 38, are the following:
- Website Costs incurred during the last two financial years have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

12. INVESTMENT PROPERTY	2012	2011
At fair value	**43,450,280**	**43,450,280**
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July 2011	43,450,280	43,450,280
Fair value	43,093,280	43,093,280
Transfer to Land and Buildings (Caravan Parks)	0	0
Fair value adjustment	357,000	357,000
Accumulated impairment loss	0	0
Net Gains from Fair Value Adjustments	0	0
Carrying values at 30 June 2012	**43,450,280**	**43,093,280**
Fair value	43,450,280	43,093,280
Accumulated impairment loss	0	0
Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:		
Rental Revenue earned from Investment Property	465,816	465,816

All of the municipality's Investment Property is held under freehold interests and no Investment Property has been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

12.1 Investment Property carried at Fair Value:

The municipality's Investment Property is valued annually or when deemed necessary, by an independent, professionally qualified valuer at 30 June.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012	2012 R	2011 R
13. LONG-TERM RECEIVABLES		
Sport clubs/Pre-primary school	25,970	27,613
Other	0	0
	25,970	27,613
Less: Current portion transferred to current receivables	-1,777	-1,643
Car Loans	0	0
Sport clubs	-1,777	-1,643
Other	0	0
Housing - Stilbaai	0	0
Less: Provision for Impairment - Housing Loans	0	0
Total	**24,193**	**25,970**

13.1 Reconciliation of the Provision for Impairment

Balance at beginning of year	0	0
Amounts written off as uncollectable	0	0
Total	**0**	**0**

The management of the municipality is of the opinion that the carrying value of Long-term Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

In determining the recoverability of a Long-term Receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provision required in excess of the Provision for Impairment.

Sport clubs and other

The council granted loans at a interest rate of 8% to the following:

Pikkewouter Pre-primary school - Stilbaai

Heidelberg Gholfklub

These loans are repayable by the year 2022.

14. CONSUMER DEPOSITS		
Electricity and Water	3,254,337	3,253,353
Balance 30 June 2012	**3,254,337**	**3,253,353**

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their account, the Municipality can utilise the deposit as payment for the outstanding amount. No interest is paid on Consumer Deposits held. The management of the Municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair value.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the Municipality and its consumers.

15. PROVISIONS		
Performance Bonus	829,452	758,713
Pension Fund Arrears Contribution	6,678,070	5,305,302
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 20.1 below)	1,464,260	1,364,892
Current portion of Provision for Ex-Gratia Pensioners Benefit Liability (See Note 20.2 below)	14,279	9,188
Current portion of Provision for long-service Awards (See note 21 below)	445,349	342,516
Total Provisions	**9,431,410**	**7,780,611**

15. PROVISIONS - (continued)

Performance bonuses accrue to employees half yearly, subject to certain conditions. The provision is an estimate of the amount due to staff at the reporting date.

SALA Pension Fund

Notwithstanding the fact that the SALA Pension Fund litigation against the municipality has not been tested in a court of law, a provision has been made in the Financial Statements. The amount is for increased employer contributions to the SALA Pension Fund.

Cape Joint Pension Fund

The Fund's actuary has calculated that there is a shortfall in the investment returns in respect of the defined benefits component of the Fund. The Municipality is liable for a pro rata payment of R1,459,697 (2011: R1 253 481.11).

The movement in current provisions are reconciled as follows:-

	Cape Joint Pension Fund	SALA Pension Fund Contributions	Post Employment Health Care Benefits	Current Portion of Long Service	Current Portion of Ex-Gratia Benefits	Performance Bonus	Job Evaluation
Balance at 1 July 2011	1,253,481	4,051,820	1,364,892	342,516	9,188	758,713	0
Transfer from non-current	0	0	1,464,260	445,349	14,279	0	0
Contribution to provisions	206,216	1,166,553	0	0	0	829,452	0
Expenditure incurred	0	0	-1,364,892	-342,516	-9,188	-770,900	0
Balance at 30 June 2012	**1,459,697**	**5,218,373**	**1,464,260**	**445,349**	**14,279**	**817,265**	**0**
						Restated	
Balance at I July 2010	1,253,481	3,067,824	1,092,794	221,043	35,000	641,028	0
Transfer from non-current	0	0	1,364,892	342,516	-25,812	0	0
Contribution to provisions	0	983,997	0	0	0	758,714	0
Expenditure incurred	0	0	-1,092,794	-221,043	0	-641,028	0
Balance at 30 June 2011	**1,253,481**	**4,051,820**	**1,364,892**	**342,516**	**9,188**	**758,713**	**0**

16. CREDITORS

	Restated	
Trade Creditors	25,153,553	21,167,793
Payments received in advance	574,175	983,005
Retentions	4,185,271	2,414,746
Staff Leave	3,828,618	3,449,072
Other Creditors	6,173,085	6,713,367
Total	**39,914,703**	**34,727,982**

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with. The management of the Municipality is of the opinion that the carrying value of Creditors approximate their fair value. The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the Municipality and other parties.

17. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

	Restated	
17.1 Conditional Grants from other spheres of Government - Appendix F	**1,883,562**	**3,794,399**
National Government Grants	1,203,040	3,111,187
Provincial Government Grants	253,134	253,135
District Municipality Grants	427,388	430,078
17.2 Other Conditional Receipts - Appendix F	**957,901**	**3,130,795**
Tourism	101,819	101,819
Skills Development	455,514	222,815
Africana Centre	26,313	26,313
Garcia Forestry	314,255	2,719,848
Public Participation Strategy	60,000	60,000
Total conditional grants and receipts	**2,841,463**	**6,925,194**

18. OPERATING LEASE LIABILITY

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

	2012 R	2011 R
Balance at beginning of year	21,221	58,672
Operating Lease expenses recorded	-347,355	-367,235
Operating Lease payments effected	343,918	329,784
Total Operating Lease Liabilities	17,784	21,221

18.1 Leasing Arrangements

The Municipality as Lessee:
Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

18.2 Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

	2012 R	2011 R
Buildings:	834,292	897,173
Up to 1 year	347,355	396,898
2 to 5 years	486,937	500,275
More than 5 years	0	0
Equipment:	32,076	52,533
Up to 1 year	20,457	20,457
2 to 5 years	11,619	32,076
More than 5 years	0	0
Total Operating Lease Arrangements	866,368	949,706

The following payments have been recognised as an expense in the Statement of Financial Performance:

	2012 R	2011 R
Minimum lease payments		
Contingent rentals	554,144	443,496
Total Operating Lease Expenses	554,144	443,496

19. LONG-TERM LIABILITIES

	Restated	
Annuity Loans	56,369,379	64,604,115
Less: Current portion transferred to current liabilities	8,652,029	8,247,746
Total long-term liabilities (Neither past due nor impaired)	**47,717,351**	**56,356,369**

Annuity Loans are repaid over periods not exceeding 10 years and at interest rates varying from 9.33% tot 11.56% per annum. Annuity loans are not secured.

Refer to Appendix "A" for more detail on Long-term Liabilities.
Long-term Liabilities have been utilized in accordance with the MFMA. Current portion of long-term liabilities is fully invested in ringfenced financial instruments. See note 8 for more detail.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012	2012 R	2011 R
20. RETIREMENT BENEFIT LIABILITIES		
Post-retirement Health Care Benefits Liability	33,694,572	31,268,144
Ex-gratia Pension Benefit Liability	115,106	118,692
Total	33,809,679	31,386,837

20.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	32,633,036	23,329,147
Contributions to Provision	3,890,688	2,745,121
Expenditure incurred	-1,364,892	-1,092,794
Actuarial loss	0	7,651,562
Balance at end of Year	35,158,832	32,633,036
Transfer to Current Provisions	-1,464,260	-1,364,892
Total Post-retirement Health Care Benefits Liability	33,694,572	31,268,144

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation was carried out at 30 June 2011 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. A valuation was not obtained for 30 June 2012 as the key assumptions have not changed materially since 30 June 2011.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	143	143
Continued Members (Retirees, widowers and orphans)	56	56
Total members	199	199

The liability in respect of past service has been estimated as follows:

In-service Members	12,427,119	12,427,119
Continued Members	20,205,917	20,205,917
Total liability	32,633,036	32,633,036

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost and interest cost for the year ending 30 June 2012 is estimated to be R1,133,640 and R2,757,000 respectively, whereas the cost for the ensuing year is estimated to be R1,231,420 and R2,970,708 respectively.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	8.63%	8.63%
Health Care Cost Inflation Rate	7.28%	7.28%
Net Effective Discount Rate	1.25%	1.25%

	2012	2011
	R	R
20. RETIREMENT BENEFIT LIABILITIES (continued)		
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	32,633,037	23,329,148
Current service costs	1,133,640	618,949
Interest cost	2,757,048	2,126,172
Benefits paid	-1,364,892	-1,092,794
Actuarial losses	0	7,651,562
Present Value of Fund Obligation at the end of the Year	35,158,833	32,633,037
Actuarial losses / (gains) unrecognised	0	0
Total Recognised Benefit Liability	35,158,833	32,633,037
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	35,158,833	32,633,037
Unrecognised Past-service Cost	0	0
Unrecognised Actuarial Gains / (Losses)	0	0
Total Benefit Liability	35,158,833	32,633,037
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	1,133,640	618,949
Interest cost	2,757,048	2,126,172
Actuarial losses	0	7,651,562
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	3,890,688	10,396,683
Sensitivity analysis		
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	4,612,000	3,238,357
Effect on the defined benefit obligation	37,677,000	37,677,000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	3,314,600	2,349,222
Effect on the defined benefit obligation	28,505,000	28,505,000

Refer to Note 44 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is administered Provincially and Nationally.

20.2 Ex-Gratia Pensioners Defined Benefit Liability		
Balance at beginning of Year as restated	127,880	79,556
Contributions to Provision	10,693	12,574
Expenditure incurred	-9,188	0
Increase due to Re-measurement	0	35,750
Balance at end of Year	129,385	127,880
Transfer to Current Provisions	-14,279	-9,188
Total Ex-Gratia Pensioners Benefits Liability	115,106	118,692

The Ex-Gratia Pensioner Benefit Plan is a defined benefit plan. As at 30 June 2012, 87 pensioners were eligible for payments in terms of this plan.

20. RETIREMENT BENEFIT LIABILITIES (continued)

The Municipality provides a once-off pension benefit to all employees who entered service prior to 31 December 1994 on normal retirement (65 for males and 60 for females). Only members who were still in-service after 1 July 1998 are entitled to the benefit. The benefit is calculated according to the average annual salary earned as at 31 December 1994 multiplied by number of years of service up to 31 December 1994, multiplied by 10%.

The interest-cost for the next year is estimated to be R10,693. Actuaries are of opinion that future service cost need not be determined for pension fund liability as all benefits vests immediately.

Key actuarial assumptions used:

	2012 R	2011 R
i) Rate of interest		
Discount Rate	8.67%	8.67%
ii) Mortality rates		
The SA85-90 Ultimate mortality table was used by the actuaries		
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year as restated	127,880	79,556
Interest cost	10,693	12,574
Benefits paid	-9,188	0
Actuarial losses / (gains)	0	35,750
Present Value of Fund Obligation at the end of the Year	129,385	127,880
Actuarial losses / (gains) unrecognised	0	0
Total Recognised Benefit Liability	129,385	127,880
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	129,385	127,880
Actuarial gains / (losses) not recognised	0	0
Total Benefit Liability	129,385	127,880
The amounts recognised in the Statement of Financial Performance are as follows:		
Interest cost	10,693	12,574
Actuarial losses / (gains)	0	35,750
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	10,693	48,324

The effect of a two-year decrease and increase in the assumed average retirement age is as follows:

	2012 R	2011 R
Increase:		
Effect on the interest cost	9,668	11,396
Effect on the defined benefit obligation	112,059	112,059
Decrease:		
Effect on the interest cost	11,540	13,695
Effect on the defined benefit obligation	145,891	145,891

21. NON-CURRENT PROVISIONS

	2012 R	2011 R
Provision for Long Service Awards	3,077,024	2,851,237

The movement in Non-current Provisions are reconciled as follows:

	2012 R	2011 R
Balance at beginning of year	3,193,753	2,621,909
Contributions to provision	671,136	629,408
Increase due to discounting	0	0
Expenditure incurred	-342,516	-221,043
Reduction due to re-measurement	0	163,479
	3,522,373	3,193,753
Transfer to current provisions	-445,349	-342,516
Balance at end of year	3,077,024	2,851,237

21. NON-CURRENT PROVISIONS - (continued)

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 5 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2011 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 489 employees were eligible for Long-services Awards.

The Current-service Cost and interest cost for the year ending 30 June 2012 is estimated to be R434,202 and R236,934 respectively, whereas the cost for the ensuing year is estimated to be R468,203 and R258,717 respectively.

	2012 R	2011 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	7.83%	7.83%
General salary inflation	6.28%	6.28%
Net Effective Discount Rate	1.46%	1.46%
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	3,193,753	2,621,909
Current service costs	434,202	393,951
Interest cost	236,934	235,457
Benefits paid	-342,516	-221,043
Actuarial losses / (gains)	0	163,479
Present Value of Fund Obligation at the end of the Year	3,522,373	3,193,753
Actuarial losses / (gains) unrecognised	0	0
Total Recognised Benefit Liability	3,522,373	3,193,753
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	3,522,373	3,193,753
Actuarial gains / (losses) not recognised	0	0
Total Benefit Liability	3,522,373	3,193,753
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	434,202	393,951
Interest cost	236,934	235,457
Actuarial losses	0	163,479
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	671,136	792,887
The effect of a 1% movement in the assumed general salary inflation rate is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	716,096	672,982
Effect on the defined benefit obligation	3,420,000	3,420,000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	631,112	590,532
Effect on the defined benefit obligation	2,990,000	2,990,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012	2012 R	2011 R
22. STATUTORY FUNDS		
Housing Reserve		Restated
Balance 1 July	49,838	43,028
Rental Income	53,518	88,488
	103,356	131,515
Less: Written off/Correction of Provision for Impairment	0	0
Less: Expenses	-49,782	-81,677
Total at 30 June as restated	**53,575**	**49,838**
The Housing reserve is represented by the following:		
Housing selling scheme loans		
Housing rental debtors (included in other/rentals) note 4	0	0
Investment (included in investments note 8)	53,575	49,838
Total Housing Reserve Assets	**53,575**	**49,838**

The **Housing Development Fund** has its origin from Loans extinguished by Government on 1 April 1998 and the net of housing transactions appropriated to the fund thereafter. No separate unappropriated surplus account for housing transactions was kept.

23. ACCUMULATED SURPLUS		
The Accumulated Surplus consists of the following Internal Funds and Reserves:		**Restated**
Capital Replacement Reserve (CRR)	23,954,348	37,049,801
- Total insurance Reserves	4,643,038	4,643,038
-Total disaster Relief Reserves	1,191,929	1,191,929
Accumulated Surplus due to the results of Operations	481,202,764	454,766,247
Total Accumulated Surplus	**510,992,079**	**497,651,015**

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012	2012 R	2011 R
24. PROPERTY RATES		
Actual		**Restated**
Residential, Commercial & State (Note 48.5)	50,739,659	45,788,536
Less: Income Forgone	-3,682,640	-3,403,220
Total Assessment Rates	**47,057,019**	**42,385,316**
Valuations		
	R000's	**R000's**
Residential, Commercial & State	10,177,021	10,045,827
Agriculture	3,540,583	3,540,995
Municipal	295,313	287,505
Churches	0	0
Total Property Valuations	**14,012,917**	**13,874,327**

Assessment Rates are levied on the value of land and improvements, which valuation must be performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions.

Rates are levied annually on property owners and are payable in 12 monthly installments. Interest is levied on outstanding rates amounts.

An uniform general residential rate of 0.004224 c/R (2010/2011: 0.003690 c/R is applied to property valuations to determine assessment rates.

The current property valuations were done according to the Local Government: Municipal Property Rates Act 6 of 2004, with implementation date 1 July 2009.

The Municipality will obtain and implement a new property valuation roll on 1 July 2014.

The rates tariffs for the 2011/2012 financial year was as follows:

	Towns
Residential	.004224 c/R
Vacant Land	.005909 c/R
Agriculture	.001056 c/R
State	.008849 c/R
Business	.004324 c/R

A rebate of R50 000 on the value of the property (2010/2011: R50 000) was allowed on residential properties, whilst rebates of 10% - 40% were applied to pensioners, based on the annual income of the ratepayer. A discount of 10% was granted to private owned developments.

25. SERVICE CHARGES		
Sale of electricity	83,307,105	72,278,723
Sale of water	22,176,743	16,577,435
Connection Fees Services	1,132,774	1,086,372
Admission fees Swimming Pools	54,294	53,385
Camping Fees	4,660,228	4,798,063
Refuse removal fees	11,034,456	9,780,990
Sewerage and sanitation charges	14,969,116	13,646,527
Total Service Charges	**137,334,715**	**118,221,495**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012		2012 R	2011 R
26. GOVERNMENT GRANTS AND SUBSIDIES - (Statement of Performance)			
Operating			
National:			
Equitable Share	**26.1**	23,227,000	21,258,479
Financial Management Grant	**26.2**	1,157,475	1,256,871
MIG Projects	**26.12**	1,622,380	1,370,108
Municipal Systems Improvement Grant	**26.21**	1,034,399	445,602
DME	**26.14**	524,801	7,758,838
National Electricity program	**26.13**	101,268	0
Provincial:			
Housing Projects	**26.6**	0	17,000,000
Library: Extending Staffing Levels	**26.7**	560,000	475,000
Hessequa Soccer Cup	**26.22**	0	50,000
Human Settlements Development	**26.5**	26,485,325	0
Primary Health Care Services	**26.3**	0	511
Slangrivier Land Reform	**26.8**	0	0
Performance Management Grant	**26.10**	0	0
Libraries Municipal Replacement Funding	**26.18**	1,607,000	0
Housing Consumer Education	**26.19**	0	15,739
Proclaimed Roads	**26.15**	106,000	300,000
Public Transport Infrastructure	**26.16**	370,000	0
Community Development Workers	**26.9**	0	50,000
District Municipality			
Clean-Up Project	**26.24**	0	144,000
Alternative Electricity	**26.17**	0	0
Africa Day	**26.25**	0	40,000
Other Municipality			
George - Housing Consumer Education	**26.11**	2,690	0
Capital Projects			
National:			
Financial Management Grant	**26.2**	92,526	0
MIG Allocations	**26.12**	8,349,652	6,741,818
National Electricity Program	**26.13**	3,598,732	0
Municipal Systems Improvements Grant	**26.21**	60,000	0
Expanded Public Works Programme	**26.4**	626,000	0
Provincial:			
Proclaimed Roads	**26.15**	1,565,000	0
Public Transport Infrastructure	**26.16**	530,000	0
Primary Health Care Services	**26.3**	0	110,300
District Municipality			
Thoroughfares	**26.20**	0	989,815
Total Government Grants & Subsidy - Operational		**56,798,338**	**50,165,148**
Total Government Grants & Subsidy - Capital		**14,821,910**	**7,841,933**
Operating Grants per Statement of Performance		58,184,221	48,481,028
Capital Grants per Statement of Performance		15,929,143	7,841,933
Operating Grant conditions met, included in Other Revenue (VAT)		0	2,044,522
Operating Grant conditions met, included in Other Revenue		0	512
TOTAL: GOVERNMENT GRANTS AND OTHER GRANTS - Appendix F		**74,113,363**	**58,367,995**
Other grants note 27 included		-2,493,118	-360,912
		71,620,245	**58,007,083**

	2012 R	2011 R
26.1 GOVERNMENT GRANTS AND SUBSIDIES - (continued)		
26.1 Equitable Share		
Current Year Receipts	23,227,000	21,258,479
Conditions met - transferred to revenue	-23,227,000	-21,258,479
Conditions still to be met - transferred to liabilities (refer note 17.1)	**0**	**0**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members as well as for LED and upliftment projects. All registered indigents receive the following:

Level of Income:	Subsidy
- R0.00 - R3 000	- free basic services plus 100% rebate on rates
	- 6kl free water
	- 50kwh free electricity
- R3 001 - R3 500	- 50% free basic services plus 50% rebate on rates
	- 6kl free water
	- 50kwh free electricity

	2012 R	2011 R
26.2 Financial Management Grant		
Balance unspent at beginning of year	337,553	594,424
Other adjustment	-337,552	0
Current Year Receipts	1,250,000	1,000,000
Conditions met - transferred to revenue: Operating Expenses	-1,157,475	-1,256,871
Conditions met - transferred to revenue: Capital Expenses	-92,526	0
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**337,553**

The Financial Management Grant is paid by National Treasury to all municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The MFMA Grant also pays for the cost of the Financial Management Internship Programme (eg. Salary costs of the Financial Management interns).

The Municipality lost an amount of R337 553 of the 01/07/2010 Financial Manangement Grant. The amount being unspent due to contractors fees only payable after year end.

	2012 R	2011 R
26.3 Health Care Centre HB		
Balance unspent at beginning of year	0	110,811
Current Year Receipts	0	0
Conditions met - transferred to revenue: Capital Expenses	0	-110,300
Conditions met - transferred to revenue: Operating Expenses	0	-511
Conditions still to be met - transferred to liabilities (refer note 17.2)	**0**	**0**

With the exception of the oral hygienist, the rest of the clinic staff were transferred to the Provincial Department of Health with effect from 1 January 2007. Until the 31 December 2007 the Municipalities involvement was only the salary of the hygienist and the payment of sundry operating expenses. With effect from 1 January 2008 the municipality's activities at the clinic ceased.

	2012 R	2011 R
26.4 Extended Public Works Programme		
Balance unspent at beginning of year	0	0
Current Year Receipts	626,000	0
Conditions met - transferred to revenue: Operating Expenses	0	
Conditions met - transferred to revenue: Capital Expenses	-626,000	0
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**0**
26.5 Human Settlements Development		
Balance unspent at beginning of year	0	0
Current Year Receipts	26,485,325	0
Conditions met - transferred to revenue: Capital Expenses	0	0
Conditions met - transferred to revenue: Operating Expenses	-26,485,325	0
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**0**
26.6 Housing Projects		
Balance unspent at beginning of year	0	0
Current Year Receipts	0	17,000,000
Conditions met - transferred to revenue: Operating Expenses	0	-17,000,000
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**0**

These grants are for the construction of houses. The conditions of the grant have been met.

	2012 R	2011 R
26.7 Library Extending Staffing Levels		
Balance unspent at beginning of year	0	0
Current Year Receipts	560,000	475,000
Conditions met - transferred to revenue: Operating Expenses	-560,000	-475,000
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**0**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012	2012 R	2011 R
26.8 GOVERNMENT GRANTS AND SUBSIDIES - (continued)		
26.8 Slangrivier Land Reform		
Balance unspent at beginning of year	8,725	8,725
Current Year Receipts	0	0
Conditions met - transferred to revenue: Operating Expenses	0	0
Conditions still to be met - transferred to liabilities (refer note17.1)	**8,725**	**8,725**
26.9 Community Development Workers		
Balance unspent at beginning of year	0	0
Current Year Receipts	0	50,000
Conditions met - transferred to revenue: Operating Expenses	0	-50,000
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**0**
26.10 Performance Management Grant		
Balance unspent at beginning of year	125,042	125,042
Current Year Receipts	0	0
Conditions met - transferred to revenue: Operating Expenses	0	0
Conditions still to be met - transferred to liabilities (refer note17.1)	**125,042**	**125,042**
26.11 Housing Consumer Education - George Municipality		
Balance unspent at beginning of year	23,758	23,758
Current Year Receipts	0	0
Conditions met - transferred to revenue: Operating Expenses	-2,690	0
Conditions still to be met - transferred to liabilities (refer note17.1)	**21,068**	**23,758**
26.12 MIG Infrastructure allocations		
Balance unspent at beginning of year	1,934,165	4,891,091
Other adjustments	-1,310,092	0
Current Year Receipts	10,551,000	5,155,000
Conditions met - transferred to Revenue: Capital Expenses	-8,349,652	-6,741,818
Conditions met - transferred to revenue: Operating Expenses	-1,622,380	-1,370,108
Conditions still to be met - transferred to liabilities (refer note17.1)	**1,203,041**	**1,934,165**
The Municipality lost an amount of R1 310 092 of the 01/07/2010 Municipal Infrastructure Grant. The amount being unspent due to projects delayed mainly because of environmental impact assessments over which Council has no control.		
26.13 National Electricity Program		
Balance unspent at beginning of year	0	0
Current Year Receipts	3,700,000	0
Conditions met - transferred to Revenue: Operating Expenses	-101,268	0
Conditions met - transferred to Revenue: Capital Expenses	-3,598,732	0
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**0**
26.14 National DME		
Balance unspent at beginning of year	524,801	2,283,639
Current Year Receipts	0	6,000,000
Conditions met - transferred to revenue: Operating Expenses	-524,801	-7,758,838
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**524,801**
26.15 Western Cape Department of Transport		
Balance unspent at beginning of year	0	0
Current Year Receipts	1,671,000	300,000
Conditions met - transferred to Revenue: Capital Expenses	-1,565,000	0
Conditions met - transferred to revenue: Operating Expenses	-106,000	-300,000
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**0**
26.16 Public Transport Infrastructure		
Balance unspent at beginning of year	0	0
Current Year Receipts	900,000	0
Conditions met - transferred to Revenue: Operating Expenses	-370,000	
Conditions met - transferred to Revenue: Capital Expenses	-530,000	0
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**0**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012		2012 R	2011 R
26.17 GOVERNMENT GRANTS AND SUBSIDIES (continued)			
26.17 Alternative Electricity			
Balance unspent at beginning of year		273,533	273,533
Current Year Receipts		0	0
Conditions met - transferred to Revenue: Capital Expenses		0	0
Conditions still to be met - transferred to liabilities (refer note17.1)		**273,533**	**273,533**
26.18 Libraries Municipal Replacement Funding			
Balance unspent at beginning of year		0	0
Current Year Receipts		1,607,000	0
Conditions met - transferred to Revenue: Operating Expenses		-1,607,000	0
Conditions still to be met - transferred to liabilities (refer note17.1)		**0**	**0**
26.19 Housing Consumer Education			
Balance unspent at beginning of year		34,261	50,000
Current Year Receipts		0	0
Conditions met - transferred to revenue: Operating Expenses		0	-15,739
Conditions still to be met - transferred to liabilities (refer note17.1)		**34,261**	**34,261**
26.20 Thoroughfares			
Balance unspent at beginning of year		0	989,815
Current Year Receipts		0	0
Conditions met - transferred to Revenue: Capital Expenses		0	-989,815
Conditions still to be met - transferred to liabilities (refer note17.1)		**0**	**0**
26.21 Municipal Systems Improvement Grant			
Balance unspent at beginning of year		314,671	10,273
Other adjustments		-10,272	0
Current Year Receipts		790,000	750,000
Conditions met - transferred to revenue: Operating Expenses		-1,034,399	-445,602
Conditions met - transferred to revenue: Capital Expenses		-60,000	0
Conditions still to be met - transferred to liabilities (refer note17.1)		**0**	**314,671**
The Municipality lost an amount of R10 272 of the 01/07/2010 Municipal Systems Improvement Grant. The amount being unspent due to projects delayed.			
26.22 Hessequa Soccer Cup			
Balance unspent at beginning of year		0	0
Current Year Receipts		0	50,000
Conditions met - transferred to revenue: Operating Expenses			-50,000
Conditions still to be met - transferred to liabilities (refer note17.1)		**0**	**0**
26.23 Project Preparation Grant			
Balance unspent at beginning of year		63,000	63,000
Current Year Receipts		0	0
Conditions met - transferred to revenue: Capital Expenses		0	0
Conditions still to be met - transferred to liabilities (refer note17.1)		**63,000**	**63,000**
26.24 Clean-up Project			
Balance unspent at beginning of year		0	0
Current Year Receipts		0	144,000
Conditions met - transferred to revenue: Capital Expenses		0	-144,000
Conditions still to be met - transferred to liabilities (refer note17.1)		**0**	**0**
26.25 Africa Day			
Balance unspent at beginning of year		0	40,000
Current Year Receipts		0	0
Conditions met - transferred to revenue: Capital Expenses		0	-40,000
Conditions still to be met - transferred to liabilities (refer note17.1)		**0**	**0**
27. OTHER GRANTS AND SUBSIDIES - (Statement of Performance)			
Operating			**Restated**
Seta	**27.2**	87,525	80,761
Garcia Forestry - Services	**27.1**	2,405,593	280,151
Total Other Grants		**2,493,118**	**360,912**
27.1 Garcia Forestry - Services			
Balance unspent at beginning of year		2,719,849	0
Current Year Receipts		0	3,000,000
Conditions met - transferred to revenue: Operating Expenses		-2,405,593	-280,151
Conditions still to be met - transferred to liabilities (refer note17.2)		**314,255**	**2,719,849**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012	2012 R	2011 R
27.2 OTHER GRANTS AND SUBSIDIES - (continued)		
27.2 Skills Development		
Balance unspent at beginning of year	222,815	113,805
Current Year Receipts	320,224	189,770
Conditions met - transferred to revenue: Operating Expenses	-87,525	-80,761
Conditions still to be met - transferred to liabilities (refer note17.1)	**455,514**	**222,815**
28. OTHER INCOME		
		Restated
Capital Contribution: Water and electricity	608,758	664,567
Sewerage	178,567	161,773
Building plans	383,383	356,576
Other (Note 48.5)	336,566	2,105,405
VAT on grants	1,239,877	2,044,522
Roadworthy Certificates	293,677	285,911
Services Electricians	15,250	37,619
Total	**3,056,078**	**5,656,373**
29. EMPLOYEE RELATED COSTS		
		Restated
Employee related costs - Salaries and Wages (Note 48.5)	57,520,070	52,235,511
Employee related costs - Contributions for UIF, pensions and medical aids (Note 48.5)	13,803,233	12,816,758
Employee related costs - SALA Pension Fund	474,556	459,316
Travel, motor car, accommodation, subsistence and other allowances	6,061,278	5,303,004
Housing benefits and allowances	250,815	241,644
Overtime payments	4,363,668	3,787,266
Performance bonus	0	0
Contribution to provision for post- retirement medical aid benefits	3,890,688	2,745,121
Contribution to long-service provision	671,136	629,408
Contribution to ex-gratia provision	10,693	12,574
Net Actuarial (gains)/losses recognised	0	7,850,791
Total Employee Related Costs	**87,046,137**	**86,081,393**
Remuneration of the Municipal Manager		
Annual Remuneration	669,012	635,786
Bonus	50,000	50,000
Performance Bonuses	132,903	125,522
Leave Encashment	94,116	0
Car Allowance	120,000	120,000
Contributions to UIF, Medical and Pension Fund	147,367	140,573
Total	**1,213,398**	**1,071,881**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012	2012 R	2011 R
29. EMPLOYEE RELATED COSTS - (continued)		
Remuneration of the Manager Water, Sewerage & Sanitation		
Annual Remuneration	618,595	541,092
Bonus	5,000	5,000
Performance Bonus	106,181	81,129
Car Allowance	60,000	60,000
Acting Allowance	0	24,145
Contributions to UIF, Medical and Pension Fund	120,955	123,366
Total	**910,731**	**834,732**
Remuneration of the Manager Community Services		
Annual Remuneration	392,477	352,152
Bonus	30,000	30,000
Performance Bonus	72,788	58,170
Car Allowance	80,000	80,000
Contributions to UIF, Medical and Pension Fund	114,213	96,399
Total	**689,478**	**616,721**
Remuneration of the Manager Streets & Storm water - (8 months)		
Annual Remuneration	537,499	480,725
Bonus	40,000	40,000
Performance Bonus	95,162	81,129
Car Allowance	48,000	48,000
Other Allowance	24,383	4,167
Contributions to UIF, Medical and Pension Fund	117,931	104,285
Total	**862,975**	**758,306**
Remuneration of the Manager Planning Services		
Annual Remuneration	511,718	455,487
Bonus	25,000	25,000
Performance Bonus	92,215	81,129
Car Allowance	80,000	80,000
Contributions to UIF, Medical and Pension Fund	104,386	95,722
Total	**813,319**	**737,338**
Remuneration of the Manager Information Technology		
Annual Remuneration	479,862	423,697
Bonus	40,000	40,000
Performance Bonus	82,104	62,731
Acting Allowance	0	13,760
Contributions to UIF, Medical and Pension Fund	116,308	102,831
Total	**718,274**	**643,019**
Remuneration of the Manager Financial Services		
Annual Remuneration	498,942	415,520
Bonus	20,000	50,000
Performance Bonus	85,629	81,129
Car Allowance	84,000	84,000
Contributions to UIF, Medical and Pension Fund	118,162	106,920
Total	**806,733**	**737,569**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012	2012 R	2011 R
29. EMPLOYEE RELATED COSTS (continued)		
Remuneration of the Manager Legal Services		
Annual Remuneration	534,082	485,943
Bonus	25,000	25,000
Performance bonus	91,733	70,090
Acting Allowance	0	20,860
Contributions to UIF, Medical and Pension Fund	135,910	116,770
Total	**786,725**	**718,663**
30. REMUNERATION OF COUNCILORS		
Executive Mayor	593,901	546,729
Deputy Executive Mayor	478,466	481,103
Speaker	477,913	422,894
Mayoral Committee Members	916,263	765,437
Councilors	1,847,716	1,877,037
Total Councilors' Remuneration	**4,314,259**	**4,093,200**

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time councilors. Each is provided with an office and secretarial support at the cost of the Council.

Councilors allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.

31. PROVISION FOR IMPAIRMENT OF DEBTORS		
Contribution to bad debt provision - ex I & E	2,911,770	3,392,909
Contribution from bad debt provision	-1,968,759	-2,482,154
Bad debts written off	1,968,759	2,482,154
Total	**2,911,770**	**3,392,909**
32. DEPRECIATION		
PPE (Note 10)	16,709,586	15,802,148
Intangible assets (Note 11)	13,333	13,333
Non-Current assets held for sale - Impairment loss (Note 3)	69,500	0
	16,792,419	15,815,481
33. INTEREST PAID		
Long-term liabilities	6,733,416	5,075,844
Other	897,892	525,156
Total Interest Expense	**7,631,308**	**5,601,000**
34. BULK PURCHASES		
		Restated
Electricity	52,537,157	42,268,359
Water	3,237,543	2,605,878
Total Bulk Purchases	**55,774,701**	**44,874,237**
35. GENERAL EXPENSES		
		Restated
Operating Grants:		
Equitable Share	11,048,239	8,893,265
Skills Development	87,525	80,761
Housing:		
- Albertinia	0	0
- Gouritsmond	0	222,000
- Riversdal	0	15,988,730
Dennedal Garcia Services	2,405,593	280,152

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012	2012 R	2011 R
35. GENERAL EXPENSES - (continued)		
Electricity - Demand Side Management (DME)	460,352	6,805,998
Other (Note 48.5)	29,496,839	2,778,122
	43,498,548	**35,049,028**
Audit Fees	1,363,405	1,238,654
Chemicals	1,779,503	1,401,239
Insurance	602,223	492,121
Material & Supplies	763,989	811,989
Other (Note 48.5)	11,096,521	12,199,113
Shared Service - Fire Brigade - Eden	0	0
Clean-up projects	730,501	1,349,818
Environmental education	587,552	515,000
Tourism	100,000	455,311
Development Costs	38,372	503,196
Inventory	0	0
Levy: Dept. of Water Affairs	188,468	249,604
Operational Leases: Office Machines	132,953	134,061
Land and Buildings	421,190	309,435
Postage & Telephone	2,723,318	2,665,318
Printing & Stationery	699,752	649,688
Software assistance	901,783	1,031,120
Travelling & Subsistence	956,329	739,371
Valuation fees	555,614	371,719
Vehicle Costs	4,974,806	3,838,023
Total	**72,114,830**	**64,003,808**

The comparative year has been restated due to the correction of errors. Refer to note 48.

36. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Bank and Cash on Hand	9,080	6,080
Call investment deposits	34,239,163	70,020,893
Bank balance	0	2,096,512
Bank overdraft	-4,563,987	0
Total	**29,684,256**	**72,123,485**

37. CASH GENERATED BY OPERATIONS

		Restated
Surplus for the year	13,344,801	6,956,671
Adjustments for:-		
Investment Property valuation surplus	0	-357,000
Depreciation	16,792,419	15,815,481
Gain on disposal of assets	-665,999	-3,155,023
Loss on disposal of property, plant and equipment and transfers	346,942	133,249
Net effect of prior year restatements	0	-1,437,736
Recognition of heritage assets	0	-8,326,375
Contribution provision for impairment	1,747,829	910,755
Investment & Debtors Interest	-4,658,766	-5,030,678
Interest paid	7,631,308	5,601,000
Operating surplus before working capital changes:	**34,538,533**	**11,110,345**
(Increase)/Decrease in inventories	28,014	77,647
(Increase)/Decrease in debtors	-2,488,402	-3,311,417
(Increase)/Decrease in other debtors	-3,287,532	6,827,909
(Increase)/Decrease in provisions	1,650,799	1,469,441
(Increase/Decrease) in conditional grants and receipts	-4,083,731	-2,995,746
(Increase/(Decrease) in creditors	5,186,721	11,313,570
(Increase)/Decrease in VAT	-572,112	942,738
Cash generated by operations	**30,972,290**	**25,434,487**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
38. ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT		
38.1 Contributions to organised local government - SALGA		
Opening Balance	0	0
Council Subscriptions	582,718	383,756
Amount paid - current year	-582,718	-383,756
Balance at 30 June 2012	**0**	**0**
38.2 PAYE and UIF		
Opening Balance	0	0
Current year payroll deductions	9,238,476	8,064,216
Amount paid - current year	-9,238,476	-8,064,216
Balance at 30 June 2012	**0**	**0**
38.3 Pension and Medical Aid deductions		
Opening Balance	0	0
Current year payroll deductions	19,401,559	16,657,811
Amount paid - current year	-19,401,559	-16,657,811
Balance at 30 June 2012	**0**	**0**
38.4 Audit Fees		
Opening Balance	0	0
Current year Audit Fees	1,363,405	1,238,654
Amount paid - current year	-1,363,405	-1,238,654
Balance at 30 June 2012	**0**	**0**

38.5 VAT

VAT input receivables and VAT output receivables are shown in Note 6. These returns have been submitted by the due date throughout the year.

38.6 Councilor's arrear Consumer Accounts

The following Councilors had arrear accounts outstanding for more than 90 days as at:

30 June 2012	**Total**	**Outstanding up to 90 days**	**Outstanding more than 90 days**
Councilor Johannes, R	1,641	41	1,600

30 June 2011	**Total**	**Outstanding up to 90 days**	**Outstanding more than 90 days**
Councilor February, LC	1,997	0	1,997
Councilor Johannes, R	1,892	0	1,892
Total Councilor Arrear Consumer Accounts	3,889	0	**3,889**

39. Non-Compliance with Chapter 111 of the Municipal Finance Management Act

No known matters existed at reporting date.

The Municipality has developed a supply chain management policy, which was approved by Council.

40. DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF, THE PROCUREMENT PROCESS

In terms of section 36 of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the financial statements. During the year, deviations from the Municipality's Supply Chain Management Policy were noted and are summarised and disclosed in threshold totals as follows:

	Number of Cases	**R**
<R2 000	608	365,866
Sole supplier	14	41,873
Emergency	297	143,804
Exceptional Circumstances	282	170,177
Impractical	15	10,013

40. DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF, THE PROCUREMENT PROCESS - (continued)

	2012 R	2011 R
R2 000 - R30 0000	260	2,421,071
Sole supplier	27	404,478
Emergency	76	583,122
Exceptional Circumstances	155	1,394,358
Impractical	2	39,113
R30 000 - R200 000	8	606,573
Sole supplier	0	0
Emergency	1	37,609
Exceptional Circumstances	7	568,965
Impractical	0	0
> R200 000	1	207,500
Sole supplier	0	0
Emergency	0	0
Exceptional Circumstances	1	207,500
Impractical	0	0
	877	3,601,010

A complete list, including reasons for deviation per transaction, is available. Below are details of 10 deviations.

Department	Service	Provider	Reason for deviation	Amount
Finance and Admin	Routemaster upgrading	Consolidated African Technologies	The Municipality currently uses the Routemaster program. Consolidated African Technologies has the sole rights of the program.	207,500
Streets, Storm water	Spare parts for Volvo Digger Loader	Babcock Africa Services	Spare parts for repairs and maintenance to the Volvo Digger Loader could be obtained from Babcock African Service at a discount.	111,647
Finance and Admin	Update of Asset Register	Aurecon Engineering Services	Aurecon updated the Municipality's asset register in 2009/2010 and 2010/2011 and therefore has a good understanding of the Municipality's circumstances. Due to time constraints and the fact that numerous Municipalities use Aurecon, it was in the best interest to appoint Aurecon.	105,254
Finance and Admin	Review of Annual Financial Statements	Ducharme Consulting	The consultant of Ducharme Consulting has reviewed the AFS for the past 3 years and has a good knowledge of the Municipality's structure. Time is of the essence between 29 and 31 August to ensure accuracy and completeness of the AFS.	78,912
Finance and Admin	Assistance with Budget and Financial Policies	Akhile	Akhile have done the policies in the past and has a good back ground of the Municipality's circumstances.	68,144
Camps	Purchase of furniture: WS chalets	Lewis Stores	Lewis stores recommended but not on the data base.	66,659
Water	Plumber materials	Incledon Cape	Emergency purchase of valves.	49,477
Finance and Admin	Employee related cost liability valuation	ARCH Actuarial Consulting	ARCH already had the Municipalities details and numbers. Due to time constraints, a new firm would not have been able to meet the AFS deadline of 31 August.	46,170
Sewerage	2 X Vosa non return Valve	DPI Trading	The non return valve in Sewerage Pump station 2 needed to be replaced urgently.	37,609

41. RELATED PARTY TRANSACTIONS

41.1 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
For the year ended 30 June 2012				
Councilors	17,722	107,748	775	11,550
Municipal Manager and Section 57 Personnel	42,898	103,128	387	10,870
Municipal Entities	0	0	0	0
Total	**60,620**	**210,876**	**1,162**	**22,420**
For the year ended 30 June 2011				
Councilors	21,697	86,226	668	11,899
Municipal Manager and Section 57 Personnel	42,162	101,234	6,061	12,119
Municipal Entities	0	0	0	0
Total	**63,859**	**187,461**	**6,729**	**24,018**

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councilors, the Municipal Manager and Section 57 Personnel not on the salary deduction list. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

41. RELATED PARTY TRANSACTIONS - (continued)

41.2 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councilors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 13 to the Annual Financial Statements.

41.3 Compensation of Related Parties

Compensation of Key Management Personnel and Councilors is set out in Notes 30 and 31 respectively, to the Annual Financial Statements.

41.4 Purchases from Related Parties

The municipality procured services from the following service providers, which are considered to be Related Parties:

Service Provider	Related Person	Capacity	Municipal Capacity	2012 R	2011 R
Fynbos Guest House	Ms S Jacobs	Owner	Municipal Manager	**800**	**3,940**
Autozone	Mr A Stroebel	Manager	Councilor	**0**	**6,742**
				800	**10,682**

Ms S Jacobs is the spouse of the Municipal Manager. The transactions were concluded in compliance with the municipality's Supply Chain Management policy. The transactions are considered to be at arm's length.

Councilor A Stroebel was elected as a councilor on 18 May 2011. He is no longer the manager of Autozone, and does not belong to nor have any enterprises with which the Municipality conducts business.

42. COMMITMENTS FOR EXPENDITURE

<u>Capital Commitments</u>

	2012 R	2011 R
Commitments in respect of Capital Expenditure:		
- Approved and Contracted for:-	6,390,895	13,363,222
Total Capital Commitments	**6,390,895**	**13,363,222**
This expenditure will be financed from:		
- Own funds, grants and subsidies and external finance	6,390,895	13,363,222
	6,390,895	**13,363,222**

43. AFTER BALANCE SHEET EVENTS

No events having financial implications requiring disclosure occurred subsequent to 30 June 2012.

44. RETIREMENT BENEFIT INFORMATION

The personnel of the Hessequa Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. The Cape Joint Pension Fund is defined benefit fund, whereas the Cape Joint Retirement Fund, Municipal Councilors Fund, The Provident Fund and The National Fund for Municipal Workers are defined contribution funds. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio; these assets are not nationally allocated to each of the participating employers.

- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.

- The same rate of contributions applies to all participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councilors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012	2012 R	2011 R

44.1 DEFINED BENEFIT SCHEMES

Cape Joint Pension Fund

The statutory valuation performed as at 30 June 2010 revealed that the fund had a surplus of R0 (30 June 2009: R0) million, with a funding level of 100 % (30 June 2009: 100%) and a solvency reserve with a closing balance of R4.9 (30 June 2009: R220,6) million. The contribution rate paid by the members 9,00% and the municipalities 18,00% is less than the recommended contribution rate of 32,1%.

Refer to note 15, for details regarding a provision for a shortfall in the investment returns in respect of the defined benefits component of the Fund.

44.2 DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund

This scheme was established to accommodate the unique characteristics of contract employees and 'cost to company' employees. All existing members were given the option to transfer to the defined contribution plan before 1 July 2003. The actuary report certified that the structure of the assets is appropriate relative to the nature of the liabilities, assuming a smoothed bonus philosophy, and given normal circumstances.

The statutory valuation performed as at 30 June 2011 revealed that the fund had a surplus of R67,977 (30 June 2010: R190,464) million, with a funding level of 98,1% (30 June 2010: 100%). The contribution rate paid by the members 9,00% and the municipalities 18,00% is less than the recommended contribution rate of 32,1%.

Cape Joint Retirement Fund

The scheme is subject to an annual actuarial valuation. The statutory valuation performed as at 30 June 2011 revealed that the assets of the fund amounted to R9 930,837 (30 June 2010: R7 740,205) million, with funding levels of 100,3% and 116,9% (30 June 2010: 99,9% and 100,3%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

This scheme was established to accommodate the unique characteristics of contract employees and 'cost to company' employees. All existing members were given the option to transfer to the defined contribution plan before 1 July 2003. The actuary report certified that the structure of the assets is appropriate relative to the nature of the liabilities, assuming a smoothed bonus philosophy, and given normal circumstances.

Municipal Councilors' Pension Fund

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R1 483, 786 381 (30 June 2009: R1 341, 935 205) million. The contribution rate paid by the members (13,75%) and the municipalities (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

SALA Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R7 110,3 (30 June 2009: R6 303,7) million, with funding levels of 96,0% (30 June 2009: 96,0%). The contribution rate paid by the members (8,6%) and Council (20,78%) is sufficient to fund the benefits accruing from the fund in the future.

South African Municipal Workers Union National Provident Fund

The scheme is subject to an tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2005. The statutory valuation performed as at 30 June 2005 revealed that the fund had a funding ratio of 100.0% (30 June 2002: 100,0%). The contribution rate paid by the members (not less than 5,00%) and Council (not less than 12,00%) is sufficient to fund the benefits accruing from the fund in the future.

The following table reflects the information of the defined benefit retirement, pension and provident funds to which councilors and employees belong. The relevant law requires every fund to do an actuarial valuation every three years.

	Actuarial Value action done every:	Last Accrual Valuation	Total Assets R,000	Total Liabilities R,000	Contributing Members
Municipal Councilors Pension Fund	Year	June 2010			4
Cape Joint Retirement Fund	Year	June 2011	9,845,000	9,734,441	226
Cape Joint Pension Fund	Year	June 2011	2,971,150	3,030,085	41
SAMWU Provident Fund	3 Years	June 2005	1,511,461	1,447,663	47
SALA Pension Fund	3 Year	June 2010	7,110,300	7,417,900	171

An amount of R8,670 million (2011:R8,659 million) was contributed by Council towards councilor and employee retirement funding. These contributions have been expensed.

45. GUARANTEES

Guarantees were issued in favor of Eskom in the amount of R70 200.

46. IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind Donations and Assistance during the year under review.

47. BUDGET RECONCILIATION

47.1 Operating Budget	**Appr.Budget 01/07/2011**	**Approved Amendments**	**Amended Budget**
Employee Related Cost	87,186,354	-80,450	87,105,904
Council Remuneration	4,463,845	0	4,463,845
Collection Cost	953,764	0	953,764
Contributions to Provisions	6,139,205	0	6,139,205
Depreciation	16,475,513	0	16,475,513
Repairs and Maintenance	12,907,601	-397,658	12,509,943
Interest Paid	7,617,435	0	7,617,435
Bulk Purchases	56,268,772	0	56,268,772
Contracted Services	3,389,000	0	3,389,000
General Expenses	30,457,342	-264,239	30,193,103
Operating Grants	34,556,783	8,419,721	42,976,504
TOTAL EXPENDITURE	**260,415,614**	**7,677,374**	**268,092,988**
Property Rates	51,262,155	0	51,262,155
Penalties on Rates	540,000	0	540,000
Service Charges	136,740,237	874,050	137,614,287
Rental of facilities and equipment	3,538,703	0	3,538,703
Interest earned - external investments	4,500,000	-700,000	3,800,000
Interest earned - outstanding debtors	541,200	0	541,200
Fines	2,445,650	0	2,445,650
Licenses and permits	272,500	0	272,500
Income for agency services	1,215,300	0	1,215,300
Government grants & Subsidies	49,005,068	9,782,721	58,787,789
Grants & Subsidies Capital	16,431,800	-705,744	15,726,056
Other income	2,606,895	110,273	2,717,168
Gains on disposal of PPE	20,150,000	-19,000,000	1,150,000
Less: Income Forgone	-6,406,492	-874,050	-7,280,542
TOTAL INCOME	**282,843,016**	**-10,512,750**	**272,330,266**
SURPLUS/(DEFICIT)	-22,427,402	18,190,124	-4,237,278
Transfer to CRR	10,000,000	0	10,000,000
Capital Grants used for PPE	16,431,800	-705,744	15,726,056
SURPLUS/(DEFICIT) FOR THE YEAR	**4,004,398**	**17,484,380**	**21,488,778**

47.2 Capital Budget	**Appr.Budget 01/07/2010**	**Approved Amendments**	**Amended Budget**
Infrastructure	56,542,000	4,697,695	61,239,695
Other Assets	11,579,500	-742,075	10,837,425
	68,121,500	**3,955,620**	**72,077,120**
Source of Finance			
External Loans	25,000,000	-400,000	24,600,000
Internal Contributions	26,689,700	5,061,364	31,751,064
Grants & Subsidies	16,431,800	-705,744	15,726,056
	68,121,500	**3,955,620**	**72,077,120**

48. CORRECTION OF ERRORS AND RECLASSIFICATIONS

A number of errors and other restatements in the prior's years transactions were discovered and were corrected in the current year's financial statements. Details of these errors and restatements are as follows:

48.1 Unspent Conditional Grants and Receipts / Government Grants and Subsidies

A number of unspent conditional grants were forfeited in the prior year as the amounts were not spent at 1 July 2010. Unspent conditional grants were overstated during the prior year. The grants were only forfeited in the current year and therefore the correction was done during the current year under review.

Unspent Conditional Grants and Receipts	
Balance as at 1 July 2011	6,925,194
Restatement	-1,657,915
Restated balance as at 1 July 2011	5,267,279

48. CORRECTION OF ERRORS AND RECLASSIFICATIONS - (continued)

48.2 Property, Plant and Equipment

A number of errors in the prior year's asset register were found regarding the recognition of Property, Plant and Equipment and Non-Current Assets Held for Sale and these were corrected. Details are follows:

	PPE	Non-current Assets held for sale
	R	R
Balances as published as at 30 June 2011	505,869,726	150,500
Correction of errors (2009/2010)	-73,095	0
Correction of errors (2010/2011)	1,150,791	-63,500
Restated balances as at 30 June 2011	506,947,422	87,000

48.3 Trade receivables from Non-Exchange transactions

Corrections were made to correct the opening balance at 01/07/2011 of Government Subsidies.

	R
Balances as published as at 30 June 2011	9,155,108
Correction of errors	-1,227,055
Other restatements and appropriations	-230,766
Restated balances as at 30 June 2010	7,697,287

48.4 Appropriations to Accumulated surplus account

Corrections were made and appropriated to the Accumulated Surplus Account during the financial year ended 30 June.

Details of the appropriations are as follows:

Unappropriated Surplus Account:		
Corrections to Property, Plant and Equipment	See note 48.2	1,150,791
Corrections to Non-Current Assets Held for sale	See note 48.2	-63,500
Corrections to Outstanding Grants	See note 48.1	-1,657,915
Corrections to Trade receivables from Non-Exchange transactions	See note 48.3	-1,457,821
Corrections to provisions	Performance bonus overprovided	-12,187
Corrections to Creditors	Appropriations in the prior year	360,795
Increase in Unapprropriated Surplus Account		-1,679,837

48.5 Appropriations to the 2010/2011 profit and loss

Corrections were made to certain profit and loss accounts which affected the 2010/2011 year.

Surplus for the year as previously stated:		7,675,811
Gain on sale of assets	VAT not paid over in prior year	-68,000
Loss on sale of assets		-133,249
General expenses - Other	Maxprof commision	-54,597
General expenses - Other	Sewerage on erf Heidelberg	241,547
General expenses	WCA	-81,586
General expenses	DME internal wiring	-101,268
Rental received		17,108
Fines		43,325
Operating Grants	FMG	-256,870
Operating Grants	MIG	37,001
Employee costs	Performance bonus, pension contributions	7,444
Other income	Recognition PPE	47,945
Depreciation		-38,196
Other income		-3,718
Repairs and maintenace		48,458
Impairment of assets		-179,000
Rates		-245,481
Surplus for the year as restated		6,956,671

49. CHANGE IN ACCOUNTING ESTIMATES

The Municipality rents the Post Office building and improvements have been capitalised. These improvements were initially written off over its usefull live of 20 Years. The lease agreement is however only 3 - 6 years and therefore the estimated useful lifes have been adjusted.

50. TRUST FUNDS

	2012 R	2011 R
Nature Development - Stilbaai	1,407,330	1,377,699
Elsje Koorts Tuberculosis Fund	176,134	166,793
Total Trust Funds	**1,583,464**	**1,544,492**

An annexure is attached with the Annual Financial Statements of the Trust Funds

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012			2012 R	2011 R
51. FINANCIAL INSTRUMENTS				
51.1 Classification of Financial Instruments				
FINANCIAL ASSETS				
Financial Assets		**Classification**		
Long-term Receivables				
Sport clubs/Pre-primary School	Note 13	Loans and receivables	24,193	25,970
Consumer Debtors				
Rates	Note 5	Loans and receivables	10,680,501	9,900,738
Electricity	Note 4	Loans and receivables	10,756,713	9,092,284
Water	Note 4	Loans and receivables	4,587,441	3,934,309
Sewerage	Note 4	Loans and receivables	3,535,802	3,519,150
Waste Management	Note 4	Loans and receivables	1,916,290	2,078,469
Housing Rental/Selling Schemes	Note 4	Loans and receivables	1,704	1,704
Other	Note 4	Loans and receivables	2,641,490	2,327,567
Less: Provision for Impairment	Note 4	Loans and receivables	-8,929,783	-7,181,954
Other Debtors	Note 5			
Insurance claims		Loans and receivables	20,469	25,426
Government subsidies		Loans and receivables	2,283,214	0
Other		Loans and receivables	648,161	411,728
Current Portion of Long-term Receivables				
Sport clubs/Pre-primary School		Loans and receivables	1,777	1,643
Short-term Investment Deposits				
Call Deposits	Note 8	Loans and receivables	34,239,163	70,020,893
Bank Balances and Cash				
Cash Floats and Advances	Note 7	Loans and receivables	9,080	2,102,592
SUMMARY OF FINANCIAL ASSETS				

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012			2012 R	2011 R
51. FINANCIAL INSTRUMENTS - (continued)				
Loans and Receivables:				
Call Deposits	Note 8	Loans and receivables	34,239,163	70,020,893
Long-term Receivables	Note 13	Sport clubs/Pre-primary School	24,193	25,970
Consumer Debtors	Note 5	Rates	10,680,501	9,900,738
Consumer Debtors		Electricity	10,756,713	9,092,284
Consumer Debtors		Water	4,587,441	3,934,309
Consumer Debtors		Sewerage	3,535,802	3,519,150
Consumer Debtors		Waste Management	1,916,290	2,078,469
Consumer Debtors		Housing Rental/Selling Schemes	1,704	1,704
Consumer Debtors		Other	2,641,490	2,327,567
Consumer Debtors		Less: Provision for Impairment	-8,929,783	-7,181,954
Other Debtors	Note 5	Insurance claims	20,469	25,426
Other Debtors		Government subsidies	2,283,214	0
Other Debtors		Other	648,161	411,728
Current Portion of Long-term Receivables	Note 13	Sport clubs/Pre-primary School	1,777	1,643
Bank Balances and Cash	Note 7	Cash Floats and Advances	9,080	2,102,592
			62,416,215	**96,260,518**
TOTAL FINANCIAL ASSETS			**62,416,215**	**96,260,518**
Financial Liabilities		**Classification**		
Long-term Liabilities				
Annuity Loans	Note 19	Financial liabilities at amortised cost	47,717,351	56,356,369
Consumer Deposits				
Electricity and Water	Note 14	Financial liabilities at amortised cost	3,254,337	3,253,353
Creditors				
Trade Creditors	Note 16	Financial liabilities at amortised cost	25,153,553	21,167,793
Payments received in advance	Note 16	Financial liabilities at amortised cost	574,175	983,005
Provisions	Note 15	Financial liabilities at amortised cost	9,431,410	7,780,611
Retentions	Note 16	Financial liabilities at amortised cost	4,185,271	2,414,746
Staff Leave	Note 16	Financial liabilities at amortised cost	3,828,618	3,449,072
Other Creditors	Note 16	Financial liabilities at amortised cost	6,173,085	6,713,367
Unspent Conditional Grants	Note 17	Financial liabilities at amortised cost		
National Government Grants		Financial liabilities at amortised cost	1,203,040	3,111,187
Provincial Government Grants		Financial liabilities at amortised cost	253,134	253,135
District Municipal Grants		Financial liabilities at amortised cost	427,388	430,078
Other Conditional Grants		Financial liabilities at amortised cost	957,901	3,130,795
Bank Balances and Cash				
Bank Overdraft	Note 7	Loans and receivables	4,563,987	0
Current Portion of Long-term Liabilities				
Annuity Loans		Financial liabilities at amortised cost	8,652,029	8,247,746

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012			2012 R	2011 R
51. FINANCIAL INSTRUMENTS - (continued)				
SUMMARY OF FINANCIAL LIABILITIES				
Long-term Liabilities	Note 19	Annuity Loans	47,717,351	56,356,369
Consumer Deposits	Note 14	Electricity and Water	3,254,337	3,253,353
Creditors	Note 15	Trade Creditors	25,153,553	21,167,793
Creditors		Retentions	4,185,271	2,414,746
Creditors		Staff Leave	3,828,618	3,449,072
Creditors		Payments received in advance	574,175	983,005
Creditors		Other Creditors	6,173,085	6,713,367
Unspent Conditional Grants	Note 17	National Government Grants	1,203,040	3,111,187
Unspent Conditional Grants		Provincial Government Grants	253,134	253,135
Unspent Conditional Grants		District Municipal Grants	427,388	430,078
Unspent Conditional Grants		Other Conditional Grants	957,901	3,130,795
Bank Overdraft	Note 7		4,563,987	0
Current Portion of Long-term Liabilities	Note 19	Annuity Loans	8,652,029	8,247,746
TOTAL FINANCIAL LIABILITIES			106,943,869	109,510,644

51.2 Fair Value of Financial Instruments

In accordance with IAS 39.09, the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statement approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors. (All carrying amounts listed below = fair value and no disclosure of fair value is required when the carrying amount of financial instruments is a reasonable approximation of fair value)

	30 June 2012		30 June 2011	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
FINANCIAL ASSETS				
Loans and Receivables	**62,416,215**	**62,416,215**	**96,260,518**	**96,260,518**
Long-term Receivables	24,193	24,193	25,970	25,970
Call Deposits	34,239,163	34,239,163	70,020,893	70,020,893
Consumer Debtors	25,190,158	25,190,158	23,672,266	23,672,266
Other Debtors	2,951,844	2,951,844	437,154	437,154
Bank Balances and Cash	9,080	9,080	2,102,592	2,102,592
Current Portion of Long-term Receivables	1,777	1,777	1,643	1,643
Total Financial Assets	62,416,215	62,416,215	96,260,518	96,260,518
FINANCIAL LIABILITIES				
Loans and receivables:				
Unsecured Bank Facilities:	**56,369,379**	**56,369,379**	**64,604,115**	**64,604,115**
- Annuity Loans	56,369,379	56,369,379	64,604,115	64,604,115
Trade and Other Payables:	**46,010,503**	**46,010,503**	**44,906,529**	**44,906,529**
Consumer Deposits	3,254,337	3,254,337	3,253,353	3,253,353
Creditors	39,914,703	39,914,703	34,727,982	34,727,982
Unspent Conditional Grants	2,841,463	2,841,463	6,925,194	6,925,194
Cash and Cash equivalents				
Bank Overdraft	**4,563,987**	**4,563,987**	**0**	**0**
Total Financial Liabilities	106,943,869	106,943,869	109,510,644	109,510,644

51. FINANCIAL INSTRUMENTS - (continued)

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

51.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged.
The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 19, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus and the Statement of Changes in Net Assets.

51.4 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect or each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

51.5 Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

51.6 Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 49.7 below). No formal policy exists to hedge volatilities in the interest rate market.

51.7 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.
Potential concentrations of interest rate risk consist mainly of fixed deposit investments, long-term deposit investments, other debtors, short-term investment deposits and bank and cash balances.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

51.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

51. FINANCIAL INSTRUMENTS - (continued)

Liquidity and Interest Risk Tables

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Average effective interest rate	1 - 6 months	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 Years	Total
	%	R	R	R	R	R	R
30 June 2012							
Fixed Interest Rate Instruments	9.33% - 11.56%	4,250,378	4,401,651	8,010,140	31,020,064	8,687,146	56,369,379
30 June 2011							
Fixed Interest Rate Instruments	9.33% - 11.56%	4,250,378	3,997,368	8,651,055	20,537,062	27,168,251	64,604,114

The municipality has access to financing facilities, the total unused amount which is R100,000 at the reporting date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increasing tariffs and the increased use of unsecured bank loan facilities.

51.9 Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

In the case of debtors whose accounts become in arrears, it is endeavored to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at balance sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit risk exposure in respect of the relevant financial instruments is as follows:

	2012 R	2011 R
Fixed Deposit Investments	34,239,163	70,020,893
Long-term Receivables	1,777	1,643
Consumer Debtors	17,188,592	16,448,019
Other Debtors	10,984,818	7,697,287
VAT Receivable	3,171,706	2,599,594
Bank and Cash Balances	9,080	2,102,592
Maximum interest and credit risk exposure	**65,595,135**	**98,870,028**

	2012 R	2011 R

52. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

52.1 Unauthorised expenditure

To management's best of knowledge no Unauthorised Expenditure was incurred during the year under review.

52.2 Fruitless and wasteful expenditure

	2012 R	2011 R
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	0	0
Interest paid due to late payment of creditors	26,709	0
Legal costs paid due to non-compliance with SCM policy	0	76,855
Electricity losses above the threshold (Refer note 53)	0	0
Water losses above the threshold (Refer note 53)	489,833	510,384
Fruitless and Wasteful Expenditure awaiting condonement	516,541	587,239

Abovementioned Fruitless and wastefull expenditure are not recoverable.

52.3 Irregular expenditure

To management's best of knowledge no Unauthorised Expenditure was incurred during the year under review.

53. MATERIAL LOSSES

Electricity distribution losses

	2012	2011
- Units purchased (Kwh)	85,831,909	86,434,806
- Units lost during distribution (Kwh)	10,155,004	8,344,213
- Percentage lost during distribution	**11.83%**	**9.65%**

Electrictrical losses can be placed in two categories, namely Technical and Non-Technical losses.

Technical losses are the losses within the distribution network caused by the resistance to the flow of electricity forming part of items such as overhead lines, cables and transformers. Since Hessequa Municipality provides power to a number of towns (holiday destinations), with a very low load factor, which is also developed along the coast in long narrow sections resulting in long radial electrical feeders, the technical losses are higher than of the other towns. The expected losses are between 6% - 8%. The norm is between 3% - 5%.

Non-Technical losses are due to:
- Illegal connections
- Electricity theft
- Tampering with meters
- Meters not read correctly
- Faulty meters
- By-passing of meters

NERSA indicated that a 12% loss is regarded as normal.

Water Inventory

The following losses were calculated during the comparison of water purchases against water sales:

	2012	2011
Riversdale		
Kiloliters purchased	1,333,364	1,179,405
Kiloliters sold	927,965	644,365
Kiloliters lost in distribution	405,399	535,040
Percentage loss in distribution	30%	45%
Cost per kiloliter	0.35	0.35
Total cost in Rand	141,890	187,264
Amount greater than 12% transferred to fruitless expenditure	85,888	137,729
Heidelberg and Witsand		
Kiloliters purchased	503,645	460,031
Kiloliters sold	366,119	341,782
Kiloliters lost in distribution	137,526	118,249
Percentage loss in distribution	27%	26%
Cost per kiloliter	5.24	4.66
Total cost in Rand	720,636	551,040
Amount greater than 12% transferred to fruitless expenditure	403,944	293,791
Slangrivier		
Kiloliters purchased	71,623	67,728
Kiloliters sold	66,572	31,929
Kiloliters lost in distribution	5,051	35,799
Percentage loss in distribution	7%	53%
Cost per kiloliter	3.32	2.85
Total cost in Rand	16,769	102,027
Amount greater than 12% transferred to fruitless expenditure	0	78,864
Total amount transferred to fruitless expenditure (Refer note 52.2)	**489,833**	**510,384**

53. MATERIAL LOSSES - (continued)

Losses of up to 12% is regarded as normal. This has not been included in the figures above.

The loss of water is indicative of ageing infrastructure assets requiring improved maintenance and upgrading. There is a significant improvement in the losses of water in the whole Municipal area. This is the result of capital invested in the upgrading of the infrastructure. Council is however currently investigating further possibilities to further reduce the loss. The water infrastructure is very old, and millions of Rands is required to finance the backlog.

54. CONTINGENT LIABILITIES

During the year under review, Council was not envolved in unresolved litigation. The normal handovers of outstanding debtors accounts was the only legal action that Council was envolved in.

55. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2012.

56. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 48).

56. GOING CONCERN ASESSMENT

Management considered the following matters relating to the Going Concern:

(i) On 30 May 2012 the Council adopted the 2012/13 Budget, which indicated that the Budget was cash backed for the period. Financial constraints to finance capital projects, will be resolved by selling parts of the Municipalities land.

(ii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by weekly and monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iii) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

Appendix A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

EXTERNAL LOANS	Interest Rate	Loan Number	Redeemable	Balance at 30/06/2011 R	Restatement at 30/06/2011	Received during the period R	Redeemed written off during the period R	Balance at 30-Jun-12 R
Annuity Loans								
Development Bank	10.50%	12007420	2021	22,023,014	0	0	-1,326,192	20,696,822
Development Bank	11.36%	101222	2013/12	6,779,068	0	0	-2,489,833	4,289,235
Development Bank	11.40%	101432	2014/12	2,495,211	0	0	-741,285	1,753,926
Development Bank	9.38%	102004	2015	3,510,760	0	0	-659,612	2,851,148
Development Bank	9.33%	102770	2017	7,041,122	0	0	-921,900	6,119,222
First National Bank	11.40%	4-000-019-445-833	2020	14,418,319	-20,000	0	-1,398,597	12,999,722
Development Bank	11.56%	103465	2019/06	8,336,620	0	0	-677,316	7,659,304
Total External Loans				**64,604,114**	**-20,000**	**0**	**-8,214,735**	**56,369,379**

Appendix B

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNIE 2012

	Cost						Accumulated Depreciation							
	Opening Balance R	Additions R	Fair Value Adjustment R	Under Construction R	Disposals Transfer R	Closing Balance R	Opening Balance R	Transfers R	Additions Additions R	Disposals R	Closing Balance R	Carrying Value R		Budget Additions R
Land and Buildings														
Land and Buildings	266,782,200	1,751,235	0	249,957	-302,700	268,480,692	7,348,559	0	3,942,551	0	11,291,111	257,189,582		2,612,829
	266,782,200	**1,751,235**	**0**	**249,957**	**-302,700**	**268,480,692**	**7,348,559**	**0**	**3,942,551**	**0**	**11,291,111**	**257,189,582**		**2,612,829**
Investment Property														
Land and Buildings	43,450,281	0	0	0	0	43,450,281	0	0	0	0	0	43,450,281		0
	43,450,281	**0**	**0**	**0**	**0**	**43,450,281**	**0**	**0**	**0**	**0**	**0**	**43,450,281**		**0**
Intangible Assets														
Water Rights	400,000	0	0	0	0	400,000	34,444	0	13,333	0	47,777	352,223		0
	400,000	**0**	**0**	**0**	**0**	**400,000**	**34,444**	**0**	**13,333**	**0**	**47,777**	**352,223**		**0**
Infrastructure														
Sewerage														
Purification	34,160,577	2,739,342	0	1,350,000	0	38,249,919	3,490,392	0	1,011,585	0	4,501,977	33,747,942		4,355,224
Outfall Sewerage	6,061,392	697,390	0	0	-61,573	6,697,209	2,016,781	0	412,073	-34,254	2,394,600	4,302,609		690,000
Reticulation	25,280,456	3,167,635	0	0	0	28,448,090	6,616,521	0	689,772	0	7,306,292	21,141,798		3,372,035
Water														
Water Meters	2,912,341	499,556	0	0	0	3,411,896	534,930	0	106,870	0	641,800	2,770,096		500,000
Reticulation Network	21,076,819	695,718	0	0	0	21,772,538	4,327,173	0	492,524	0	4,819,696	16,952,841		756,000
Pump Stations	1,971,212	338,952		1,563,603	0	3,873,767	485,807	0	136,002	0	621,809	3,251,958		3,179,218
Purification Works	2,243,791	0	0	0	0	2,243,791	833,513	0	147,794	0	981,307	1,262,484		0
Reservoirs/Tanks	16,637,827	2,326,892	0	0	0	18,964,719	3,168,844	0	476,645	0	3,645,489	15,319,230		2,652,690
Electricity													0	
Power Stations	179,178	0	0	0	0	179,178	95,959	0	6,752	0	102,712	76,466		0
Transformer Kiosks	2,551,221	1,092,574	0	0	0	3,643,795	145,388	0	55,339	0	200,727	3,443,067		1,100,833
Substations	5,104,632	0	0	0	0	5,104,632	759,362	0	120,662	0	880,024	4,224,608		0
Streetlights	2,016,616	10,902	0	0	0	2,027,518	253,925	0	57,565	0	311,491	1,716,028		11,001
Electricity Meters	2,361,511	85,967	0	0	0	2,447,478	404,946	0	51,466	0	456,412	1,991,066		87,423
Mains	26,711,601	6,384,761	0	2,739,847	0	35,836,210	3,223,615	0	618,791	0	3,842,406	31,993,804		11,776,344
					0									

Appendix B

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNIE 2012

	Cost						Accumulated Depreciation							
	Opening Balance R	Additions R	Fair Value Adjustment R	Under Construction R	Disposals Transfer R	Closing Balance R	Opening Balance R	Transfers R	Additions Additions R	Disposals R	Closing Balance R	Carrying Value R		Budget Additions R
Solid Waste	973,611	0	0	0	0	973,611	389,908	0	63,971	0	453,879	519,732		0
Roads and Stormwater														
Motorways	59,446,899	28,401,663	0	0	0	87,848,562	8,848,023	0	1,782,162	0	10,630,185	77,218,376		28,458,757
Stormwater	36,427,293	4,563,562	0	0	0	40,990,854	5,123,802	0	1,167,682	0	6,291,485	34,699,370		5,161,820
Parking Areas	18,027	180,970	0	0	0	198,997	4,851	0	1,261	0	6,112	192,885		188,350
Footpaths	4,055,368	0	0	0	0	4,055,368	898,942	0	140,332	0	1,039,273	3,016,095		0
	250,190,372	**51,185,884**	**0**	**5,653,450**	**-61,573**	**306,968,133**	**41,622,682**	**0**	**7,539,249**	**-34,254**	**49,127,677**	**257,840,455**	**0**	**62,289,695**
Community Assets														
Cemeteries	620,228	0	0	0	0	620,228	265,862	0	49,766	0	315,629	304,599		0
Sport Grounds	7,808,272	674,657	0	0	0	8,482,929	2,680,169		476,163	0	3,156,332	5,326,596		705,000
Parks	6,292,154	421,769	0	0	0	6,713,922	1,692,328	0	266,565	0	1,958,893	4,755,029		450,000
Public Conveniences	246,220	0	0	0	0	246,220	14,675		4,824	0	19,499	226,722		0
	14,966,874	**1,096,425**	**0**	**0**	**0**	**16,063,299**	**4,653,034**	**0**	**797,318**	**0**	**5,450,353**	**10,612,946**		**1,155,000**
Heritage Assets														
Mayors Chain	8,331,875	0		0	0	8,331,875	0		0	0	0	8,331,875		0
	8,331,875	**0**		**0**	**0**	**8,331,875**	**0**		**0**	**0**	**0**	**8,331,875**		**0**

Appendix B

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNIE 2012

	Cost						Accumulated Depreciation						
	Opening Balance R	Additions R	Fair Value Adjustment R	Under Construction R	Disposals Transfer R	Closing Balance R	Opening Balance R	Transfers R	Additions Additions R	Disposals R	Closing Balance R	Carrying Value R	Budget Additions R
Other Assets													
Emergency Equipment													
Emergency	461,574	24,080	0		0	485,654	122,937		39,508	0	162,445	323,209	38,000
Plant&Equipment													
Graders and Frontloaders	3,225,254	0	0		0	3,225,254	1,031,315		333,295	0	1,364,609	1,860,645	0
Tractors	2,239,109	787,516	0		0	3,026,625	797,167		201,086	0	998,253	2,028,372	800,000
Boats	56,035	-	-		-	56,035	17,537		5,362	-	22,899	33,136	-
Lawnmowers	1,015,727	75,965	-		(30,606)	1,061,086	488,590		149,875	(19,557)	618,908	442,178	126,560
Compressors	112,413	-	-		(2,401)	110,012	52,202		14,904	(1,372)	65,733	44,278	-
Other Plant and Equipment	3,567,864	1,237,195	-		(232,777)	4,572,282	1,721,328		487,962	(137,857)	2,071,433	2,500,849	1,202,194
MotorVehicles													
Sedans	552,023	113,568	-		-	665,591	257,971		87,467	-	345,439	320,152	113,580
Motor Cycles	78,769	-	-		-	78,769	55,455		6,767	-	62,222	16,547	-
Trailers	1,782,300	23,917	-		(44,065)	1,762,152	589,242		191,511	(30,272)	750,481	1,011,671	31,224
Trucks/LDV's	11,934,261	2,568,681	-		(118,055)	14,384,887	4,805,225		1,527,990	(88,380)	6,244,835	8,140,052	2,857,405
Office Equipment													
Computer Equipment	1,974,687	141,140	-		(402,694)	1,713,132	877,090		381,514	(328,408)	930,197	782,935	91,473
Other Equipment	599,590	34,770	-		(26,344)	608,016	265,411		75,822	(15,369)	325,864	282,152	32,301
Office Machines	2,308,754	409,712	-		(147,481)	2,570,984	1,056,891		350,758	(101,175)	1,306,473	1,264,511	460,995
Furniture and Fittings	4,632,513	274,296	-		(82,147)	4,824,661	2,132,215		561,028	(44,559)	2,648,684	2,175,977	265,863
Security Equipment													
Security	40,847	-	-		-	40,847	10,768		15,618	-	26,386	14,461	-
	34,581,721	**5,690,839**	**-**	**-**	**(1,086,572)**	**39,185,988**	**14,281,345**	**-**	**4,430,467**	**(766,949)**	**17,944,863**	**21,241,125**	**6,019,596**
TOTAL	**618,703,322**	**59,724,384**	**-**	**5,903,407**	**(1,450,845)**	**682,880,268**	**67,940,065**	**-**	**16,722,919**	**(801,203)**	**83,861,780**	**599,018,488**	**72,077,120**

Appendix C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2012

	Cost						Accumulated Depreciation				
	Opening Balance R	Additions R	Under Construction R	Fair Value Adjustment	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	Carrying Value R
Executive & Council	8,699,489	2,190	-		(2,620)	8,699,059	141,517	70,718	(1,221)	211,014	8,488,045
Finance & Admin	293,199,128	1,500,615	249,957	-	(766,335)	294,183,365	6,234,770	2,926,614	(373,246)	8,788,138	285,395,227
Health	1,218,248	-	-		-	1,218,248	226,795	113,397	-	340,192	878,056
Community & Social Services	16,380,369	559,062	-		(118,341)	16,821,090	3,703,988	1,470,280	(72,475)	5,101,793	11,719,297
Public Safety	2,245,795	128,463	-		(253,662)	2,120,596	845,060	326,774	(186,038)	985,796	1,134,800
Sport & Recreation	24,895,372	1,809,232	-		(2,188)	26,702,416	6,104,738	1,602,879	(1,251)	7,706,366	18,996,050
Planning and Development	289,238	2,486	-		(3,272)	288,452	134,378	42,527	(2,275)	174,630	113,822
Nature Conservation	-	-	-		-	-	-	-	-	-	-
Tourism	1,513,959	-	-		(30,878)	1,483,081	723,241	172,272	(19,949)	875,564	607,517
Road Transport	99,949,565	34,947,918	-		10,138	134,907,621	14,875,739	3,136,377	-	18,012,116	116,895,505
Waste Water Management/Sewerage	67,659,931	7,491,759	1,350,000		(67,407)	76,434,283	12,555,299	2,368,341	(37,208)	14,886,432	61,547,851
Waste Management/Solid Waste	1,026,344	1,253,649	-		-	2,279,993	394,206	119,701	-	513,907	1,766,086
Water	59,452,018	4,051,763	1,563,603		(189,295)	64,878,089	15,382,346	3,000,590	(88,979)	18,293,957	46,584,132
Electricity	42,173,866	7,977,247	2,739,847		(26,985)	52,863,975	6,617,988	1,372,449	(18,561)	7,971,876	44,892,099
TOTAL	**618,703,323**	**59,724,384**	**5,903,407**	**-**	**(1,450,845)**	**682,880,269**	**67,940,065**	**16,722,919**	**(801,203)**	**83,861,781**	**599,018,488**

Appendix D

SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

2011				2012		
Actual Income R	Actual Expenditure R	Surplus/(Deficit) R		Actual Income R	Actual Expenditure R	Surplus/(Deficit) R
21,934,382	34,283,560	-12,349,178	Executive & Council	23,479,833	29,472,920	-5,993,087
69,133,935	27,997,140	41,136,795	Finance & Admin	64,079,261	32,943,678	31,135,583
4,545,950	5,316,376	-770,426	Planning & Development	2,163,430	5,159,652	-2,996,222
986,647	5,903,744	-4,917,097	Community & Social Services	2,647,743	6,462,995	-3,815,252
17,237,116	17,206,505	30,611	Housing	26,541,533	26,537,797	3,736
5,056,066	8,616,115	-3,560,049	Public Safety	5,280,170	8,797,630	-3,517,460
144,425	1,048,864	-904,439	Environmental Conservation	83,207	808,600	-725,393
6,919,395	14,045,812	-7,126,417	Sport & Recreation	6,785,769	15,452,395	-8,666,626
5,014,566	25,421,733	-20,407,167	Road Transport	5,245,129	27,114,609	-21,869,480
15,000,663	12,954,838	2,045,825	Waste Water Management/Sewerage	18,955,786	15,389,558	3,566,228
10,095,254	10,166,447	-71,193	Waste Management/Solid Waste	11,164,974	10,684,595	480,379
19,754,716	17,708,356	2,046,360	Water	30,571,746	21,697,885	8,873,861
85,644,259	72,624,838	13,019,421	Electricity	95,316,828	77,070,397	18,246,431
0	1,216,375	-1,216,375	Hessequa Tourism		1,377,898	-1,377,898
261,467,372	**254,510,701**	**6,956,671**	**Sub total**	**292,315,409**	**278,970,608**	**13,344,801**
-14,219,177	**-14,219,177**	**0**	Less inter-departmental charges	**-17,150,866**	**-17,150,866**	**0**
247,248,195	**240,291,524**	**6,956,671**	**Total**	**275,164,543**	**261,819,742**	**13,344,801**

APPENDIX E (1)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

	2012 Actual R	2012 Budget R	2012 Variance R	2012 Variance %	Explanation of Significant Variances greater than 5% versus Budget
Revenue					
Property Rates	47,057,019	47,564,355	-507,336	-1.07	
Service charges	137,334,715	134,031,545	3,303,170	2.46	
Rental of facilities and equipment	3,863,733	3,538,703	325,030	9.19	Higher occupancy of camping sites and community halls
Interest earned - external investments	3,613,812	3,800,000	-186,188	-4.90	
Interest earned - outstanding debtors	1,044,955	1,081,200	-36,245	-3.35	
Fines	2,890,922	2,445,650	445,272	18.21	Increased law enforcement
Licences and permits	210,094	272,500	-62,406	-22.90	Less income generated than expected
Income for agency services	1,313,850	1,215,300	98,550	8.11	Increase in transactions processed
Goverment grants and subsidies	74,113,366	74,513,845	-400,479	-0.54	
Other Income	3,056,078	2,717,168	338,910	12.47	Increase in building plan fees and electricity capital contributions
Surplus on sale of assets	665,999	1,150,000	-484,001	-42.09	Fewer assets disposed of than envisaged
Total Income	**275,164,543**	**272,330,266**	**2,834,277**	**1.04**	

APPENDIX E (1)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

	2012 Actual R	2012 Budget R	2012 Variance R	2012 Variance %	Explanation of Significant Variances greater than 5% versus Budget
Expenditure					
Employee related costs	87,046,137	90,610,573	-3,564,436	-3.93	
Rumuneration of councillors	4,314,259	4,463,845	-149,586	-3.35	
Working Capital Reserve	2,911,770	2,634,536	277,234	10.52	Revision of contribution greater than expected
Collection Costs	624,805	953,764	-328,959	-34.49	Expected litigation re Pension Funds not realised
Depreciation	16,792,419	16,475,513	316,906	1.92	
Repairs and Maintenance	11,026,408	12,509,943	-1,483,535	-11.86	Capacity constraints
Interest - External borrowings	7,631,308	7,617,435	13,873	0.18	
Bulk Purchases	55,774,701	56,268,772	-494,071	-0.88	
Contracted Services	3,236,164	3,389,000	-152,836	-4.51	
Loss on assets written off	346,942	0	346,942	0.00	
General Expenses	72,114,830	73,169,607	-1,054,777	-1.44	
Total Expenditure	**261,819,742**	**268,092,988**	**-6,273,246**	**-2.34**	
Net surplus for the year	**13,344,801**	**4,237,278**	**9,107,523**	**214.94**	

APPENDIX E (2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2012

	2012 Actual R	2012 Budget R	2012 Variance R	2012 Variance %	Explanation of Significant Variances greater than 5% versus Budget
Land					
Land	2,001,192	2,612,829	-611,637	-23.41	Projects not done and savings on others
	2,001,192	**2,612,829**	**-611,637**	**-23.41**	
Infrastructure					
Sewerage	7,954,367	8,417,259	-462,892	-5.50	Stilbaai project not completed
Water	5,424,721	7,087,908	-1,663,187	-23.47	Albertinia reservois still in progress
Electricity	10,314,051	12,975,601	-2,661,550	-20.51	Electrification of Heidelberg houses not completed
Roads and Stormwater	33,146,195	33,808,927	-662,732	-1.96	
	56,839,334	**62,289,695**	**-5,450,361**	**-8.75**	
Community Assets					
Sport Grounds	674,657	705,000	-30,343	-4.30	
Parks	421,769	450,000	-28,231	-6.27	Favourable tenders approved
	1,096,426	**1,155,000**	**-58,574**	**-5.07**	
Other Assets					
Plant & Equipment	2,100,676	2,128,755	-28,079	-1.32	Favourable tenders procured for requirements
Motor Vehicles	2,706,166	3,002,209	-296,043	-9.86	Procured at better prices
Other	883,997	888,632	-4,635	-0.52	Purchased ex inventory budget
	5,690,839	**6,019,596**	**-328,757**	**-20.50**	
Total	**65,627,791**	**72,077,120**	**-6,449,329**	**-8.95**	

APPENDIX F

Disclosure of Grants and Subsidies in terms of section 123 of the MFMA, 56 of 2003

Name of Grant	Funder	Quarterly Receipts							Quarterly Expenditure					Closing Balance 30/06/2012 R	Capital R	Operating R	VAT R
		Opening Balance 01/07/2011 R	Re-statement	September R	December R	March R	June R	Total R	September R	December R	March R	June R	Total R				
National Government		3,111,187	-1,657,915	23,374,000	0	12,609,000	4,161,000	41,597,271	10,720,484	8,974,480	8,478,254	12,221,013	40,394,231	1,203,040	12,726,910	26,427,444	1,239,877
Equitable Share	DPLG	0	0	9,678,000		9,388,000	4,161,000	23,227,000	5,806,750	5,806,750	5,806,750	5,806,750	23,227,000	0	0	23,227,000	
MIG Projects	DPLG	1,934,164	-1,310,092	7,956,000		2,595,000		11,175,072	3,363,981	704,279	1,370,480	4,533,292	9,972,032	1,203,040	8,349,652	525,418	1,096,962
Financial Management Grant	DPLG	337,551	-337,551	1,250,000				1,250,000	130,000	303,743	201,198	615,059	1,250,000	0	92,526	1,118,626	38,848
National Electricity Program	DME	0	0	3,700,000				3,700,000	1,227,055	1,551,047	804,554	117,344	3,700,000	0	3,598,732	101,268	
Municipal Systems Improvement Grant	DPLG	314,671	-10,272	790,000				1,094,399		276,558	295,272	522,568	1,094,398	0	60,000	994,780	39,618
DME	DMEA	524,801						524,801	192,698	332,103			524,801	0	0	460,352	64,449
Expanded Public Works Programme		0				626,000		626,000				626,000	626,000	0	626,000		
Provincial Government		253,134	0	7,605,887	5,072,021	16,795,417	1,750,000	31,476,459	780,788	11,857,169	11,416,096	7,169,272	31,223,325	253,134	2,095,000	29,128,325	
Human Settlement Development	WC: Land Affairs	0		7,418,887	3,985,021	13,331,417	1,750,000	26,485,325	236,636	11,167,272	9,231,417	5,850,000	26,485,325	0	0	26,485,325	
Public Transport Infrastructure	WC Transport	0			900,000			900,000			122,478	777,522	900,000	0	530,000	370,000	
Library Municipal Replacement Funding	WC. Local Gov	0				1,607,000		1,607,000	401,750	401,750	401,750	401,750	1,607,000	0		1,607,000	
Slangrivier Land Reform	WC: Land Affairs	8,726						8,726					0	8,726			
Hessequa Soccer Cup	WC: Transport	0						0					0	0		0	
Library Ext. Staff Levells	WC: Housing	0		187,000	187,000	186,000		560,000	140,000	140,000	140,000	140,000	560,000	0		560,000	
RDP Housing	WC: Housing	0						0					0	0		0	
Community Development Workers	WC: Housing	0						0					0	0		0	
Primary Health Care Services	WC: Health	0						0					0	0	0	0	
Proclaimed Roads	WC: Transport	0				1,671,000		1,671,000	2,402	148,147	1,520,451		1,671,000	0	1,565,000	106,000	
Spatial Development Framework	WC: Environment	22,105						22,105					0	22,105			
Performance Management System	WC. Local Gov	125,042						125,042					0	125,042			
Housing Consumer Education	WC: Housing	34,261		0				34,261	0	0	0	0	0	34,261		0	
Project Preparation Grant	WC: Local Govt.	63,000		0	0	0	0	63,000					0	63,000		0	
District Municipality		430,078	0	0	0	0	0	430,078	0	0	0	2,690	2,690	427,388	0	2,690	
Vermaaklikheid Land Reform	Eden Distr. Mun.	78,787		0	0	0	0	78,787					0	78,787			
Hessequa Thouroughfares	Eden Distr. Mun.	0		0	0	0	0	0		0	0	0	0	0	0		
Alternative Electricity	Eden Distr. Mun.	273,533		0	0	0	0	273,533					0	273,533			
Housing Consumer Educations	Eden Distr. Mun.	23,758		0	0	0	0	23,758				2,690	2,690	21,068		2,690	

APPENDIX F

Disclosure of Grants and Subsidies in terms of section 123 of the MFMA, 56 of 2003

		Quarterly Receipts							Quarterly Expenditure								
Name of Grant	Funder	Opening Balance 01/07/2011 R	Re-statement	September R	December R	March R	June R	Total R	September R	December R	March R	June R	Total R	Closing Balance 30/06/2012 R	Capital R	Operating R	VAT R
Clean-up Project	Eden Distr. Mun.	0			0	0	0	0				0	0	0		0	
Africa Day	Eden Distr. Mun.	0		0	0	0		0				0	0	0		0	
LED Learnership	Eden Distr. Mun.	54,000		0	0	0	0	54,000					0	54,000			
Other		**3,130,795**	**0**	**98,179**	**0**	**138,335**	**83,710**	**3,451,019**	**0**	**621,842**	**975,110**	**896,165**	**2,493,117**	**957,902**	**0**	**2,493,118**	
Skills Development	Seta	222,815		98,179	0	138,335	83,710	543,039	0	31,177	34,200	22,148	87,525	455,514		87,525	
Garcia Forestry		2,719,848					0	2,719,848		590,665	940,910	874,017	2,405,592	314,256		2,405,593	
Tourism		101,819						101,819					0	101,819			
Africana Centrum		26,313						26,313					0	26,313			
Public Participation Strategy		60,000						60,000					0	60,000			
TOTAL - CONDITIONAL GRANTS		**6,925,194**	**-1,657,915**	**31,078,066**	**5,072,021**	**29,542,752**	**5,994,710**	**76,954,827**	**11,501,272**	**21,453,491**	**20,869,460**	**20,289,140**	**74,113,363**	**2,841,464**	**14,821,910**	**58,051,577**	**1,239,877**